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Uniform System of Accounts

for

Telephone Companies

Classes "A" and "B"

As Prescribed by the

State Public Utilities Commission of Illinois

In Accordance with Section 11 of the Act to Provide for the Regulation of Public Utilities. Approved June 30, 1913

FIRST ISSUE

Effective on July 1, 1914

Springfield, Ill., 1914

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UNIFORM SYSTEM OF ACCOUNTS FOR TELEPHONE COMPANIES CLASSES "A" AND "B"

At a Regular Meeting of THE STATE PUBLIC UTILITIES COMMISSION OF ILLINOIS, held at its office in Springfield, Ill., on the second day of July, 1914.

The subject of a Uniform System of Accounts to be prescribed for and kept by telephone companies being under consideration, the following order was entered:

It is ordered, That the Uniform System of Accounts for Telephone Companies with the text pertaining thereto, embodied in printed form to be hereafter known as First Issue, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Chief Accountant and Statistician; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the said Uniform System of Accounts for Telephone Companies with the text pertaining thereto, be, and the same is hereby, prescribed for the use of telephone companies having annual operating revenues exceeding $50,000, subject to the provisions of the Act to provide for the regulation of public utilities, in the keeping and recording of their accounts; that each and every telephone company and each and every receiver or operating trustee of any such telephone company be required to keep all accounts in conformity therewith; and that a copy of the said First Issue be sent to each and every such telephone company and to each and every receiver or operating trustee of any such telephone company.

It is further ordered, That any such telephone company or any receiver or operating trustee of any such telephone company may subdivide any primary account in the said First Issue established (as permitted in the general instructions contained in the said First Issue); or may make assignment of the amount charged to any such primary account to operating divisions, to its individual lines, or to States: *Provided, however,* That such subprimary accounts set up or such assignments made by any such telephone company or by any receiver or operating trustee of any such telephone company do not impair the integrity of the accounts hereby prescribed.

It is further ordered, That in order that the basis of comparison with previous years be not destroyed, any such telephone company or any receiver or operating trustee of any such telephone company may, during the twelve months from the time that the said First Issue becomes effective, keep and maintain, in addition to the accounts hereby prescribed,

such portion or portions of its present accounts as may be deemed desirable by any such telephone company, or by any receiver or operating trustee thereof, for the purpose of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

It is further ordered, That any such telephone company or any receiver or operating trustee of any such telephone company, in addition to the accounts hereby prescribed, may unless otherwise ordered, keep any temporary or experimental accounts, the purpose of which is to develop the efficiency of operation: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed.

It is further ordered, That July 1, 1914, be, and is hereby, fixed as the date on which the said First Issue of the Uniform System of Accounts for telephone companies shall become effective.

By the Commission:

(SEAL) CHAS. N. HEBNER, *Secretary*

INTRODUCTORY LETTER

STATE PUBLIC UTILITIES COMMISSION OF ILLINOIS,
OFFICE OF CHIEF ACCOUNTANT AND STATISTICIAN,
SPRINGFIELD, ILL., July 2, 1914

TO TELEPHONE COMPANIES:

In accordance with an order of the State Public Utilities Commission of Illinois, the text of which precedes this letter, this Uniform System of Accounts for Telephone Companies is issued.

The Act to provide for the regulation of public utilities clothes the Commission with authority to establish a system of accounts, and to prescribe the forms of accounts and the manner in which such accounts shall be kept by Telephone Companies subject to the Act.

Attention is specifically called to the rules and regulations prescribed in this system of accounts, as the same are obligatory upon persons having direct charge of the accounts of the public utility concerned, and such persons will be held responsible for their proper application.

In setting up this system of accounts the Commission has followed the *Classification for Uniform System of Accounts* for *Telephone* Companies as prescribed by the *Interstate Commerce Commission, First Issue* effective on January 1, 1913.

This System of accounts applies only to companies having annual operating revenues exceeding $50,000; such companies being divided into two classes, "A" and "B," according to their earning capacity. *See* paragraph 1, page 8.

A separate system of accounts (bearing same date) has been prescribed for Class "C" and "D" companies having annual operating revenues of $50,000, or less.

An invitation is extended to all accounting officers, to correspond with this office should any question arise in regard to the correct interpretation of any account or rule herein prescribed, in order that uniformity may be obtained in the application of the provisions of the classifications.

M. J. MURPHY
Chief Accountant and Statistician

GENERAL INSTRUCTIONS

The records of telephone companies shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein. Where the full information is not recorded in the general books, the entries therein shall be supported by the records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification of the latter, and the detailed records shall be filed in such manner as to be readily accessible for examination by representatives of the State Public Utilities Commision of Illinois.

1. **Telephone companies divided into four classes.**—For the purposes of the systems of accounts prescribed by the State Public Utilities Commission of Illinois, telephone companies are divided into four classes, as follows:

Class A.—Companies having average annual operating revenues[1] exceeding $250,000.

Class B.—Companies having average annual operating revenues[1] exceeding $50,000, but not more than $250,000.

Class C.—Companies having average annual operating revenues exceeding $10,000, but not more than $50,000.

Class D.—Companies having average annual operating revenues of $10,000 or less.

Two sets of accounts are contained herein and are designed to meet the respective needs of companies of Classes A and B, indicated above. The classifications for these two classes of companies are published jointly, with the titles of the accounts printed in CAPITALS and SMALL CAPITALS, and in *italics*.

Class A companies shall keep all the accounts (so far as they may be applicable to their affairs) the titles of which are printed in CAPITALS and SMALL CAPITALS and also the accounts the titles of which are printed in *italics*, except that where an account shown in CAPITALS and SMALL CAPITALS is subdivided into accounts the titles of which are printed in *italics*, it is not required that the former be kept. Class A companies may further subdivide any of the accounts prescribed herein, provided that such subdivisions do not impair the integrity of any of the accounts prescribed.

Class B companies shall keep all the accounts (so far as they may be applicable to their affairs), the titles of which are printed in CAPITALS and SMALL CAPITALS. Where such accounts are subdivided into accounts the titles of which are printed in *italics*, it is not required that Class B companies shall keep separate accounts for the latter. Class B companies may, if they so desire, keep the more extended accounts prescribed for Class A companies, or may further subdivide such accounts, provided that such subdivisions do not impair the integrity of any of the accounts prescribed.

2. **Accounts should show fixed capital, operating revenues, and operating expenses pertaining solely to any exchange or toll system or common to two or more systems.**—(*a*) Telephone companies should keep their fixed capital accounts in such manner as will enable them to show, when so required by

[1] In order that frequent changes may be avoided, companies operating established telephone plants may adopt the scheme of accounts indicated by the average of their annual revenues for three years preceding the date of this order. If at the close of any fiscal year the average of the annual revenues for the three preceding years is greater than the amount given for the class in which the company has been put, the higher scheme of accounts should be adopted. New companies should estimate the amount of their annual revenues and adopt the scheme of accounts provided for companies with average annual revenues equal to the amount of the estimate.

the Commission, (1) the cost of fixed capital devoted solely to any exchange system, (2) the cost of fixed capital devoted solely to any toll system, and (3) the cost of fixed capital used in common by two or more exchange or toll systems.

(*b*) The Classification of Operating Revenues provides separate accounts for exchange revenue and for toll revenue. Where it is necessary to apportion the revenue between these accounts telephone companies should be prepared, when so required by the Commission, to furnish the basis used in making such apportionment.

(*c*) Telephone companies should keep their operating expense accounts in such manner as will permit them to show, when so required by the Commission, (1) the operating expenses pertaining solely to any exchange system, (2) the operating expenses pertaining solely to any toll system, and (3) the operating expenses which are common to two or more exchange or toll systems.

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INSTRUCTIONS PERTAINING TO BALANCE SHEET

3. **Balance-sheet accounts.**—By balance-sheet accounts are meant those titles under which the ledger accounts are combined and summarized to show the assets, liabilities, and profit or loss of the business at a given time. Where the title and definition of a balance-sheet account clearly indicate that it is a summary of other accounts, it is not required that a special ledger account shall be raised under such a title to include the balance from the accounts usually carried on the ledger.

4. **Cost or book value of securities owned.**—The term *cost or book value*, as applied to various accounts representing securities owned, is intended to recognize the option of the company of carrying its investments in securities either at cost or at a reasonable valuation other than cost. Whenever securities are acquired they are to be entered on the books at cost. If, subsequently, the company desires to adjust their value on account of substantial appreciation or depreciation, the entries in its books, with respect to such securities, as well as its annual reports to the Commission, should clearly show the reasons for making the adjustments.

5. **Reacquired securities.**—The capital stock and funded debt liability accounts in the balance sheet are intended to include only the par value of such capital stock or funded debt securities as have been actually issued to bona-fide holders for value or such securities as have been issued by other companies and have been assumed by the accounting company and are actually outstanding at the date of the balance-sheet statement.

When capital stock or funded-debt securities have been actually issued to bona-fide holders for value (or after such issue by another company have been assumed by the accounting company) and after such issue (or assumption) have been reacquired by the company under circumstances which require that they shall not be treated as paid or retired, they may be charged at par value to the appropriate asset account, but on the balance-sheet statement they should be shown separately as a deduction from both the asset and liability accounts in order that the asset accounts for securities owned will include only securities of other companies and that the liability accounts for securities issued or assumed will include only those in the hands of the public.

If any such securities are reacquired for more or less than their par value, the difference between the par value and the cost of reacquirement, after adjusting any amounts carried in the discount-and-premium accounts or other accounts with respect to such securities, should be debited or credited to Corporate Surplus or Deficit account, unless reacquired for a sinking or other fund, which is required to be represented by a reserve, in which case the difference should be debited or credited to the appropriate reserve account.

6. **Discount and premium on Capital Stock.**—Ledger accounts should be provided to cover the discounts and premiums on each class of capital stock issued or assumd by the company. By *discount* is meant the excess of the par value of stocks isued or assumed over the actual money value of the consideration received for such stock (except stock that has been sold and reacquired); by *premium* is meant the excess of the actual money value of the consideration received for stock issued or assumed over the par value of such stock (except stock that has been sold and reacquired). Entries in these accounts representing discounts should be carried therein until offset, (1) by premiums realized on subsequent sales of the same class of stock, (2) by assessments levied on the stockholders, (3) by appropriations of surplus for that purpose, or (4) by charges to Corporate

Surplus or Deficit account upon reacquirement or retirement of the stock. Entries in these accounts representing premiums realized should be carried permanently, unless offset (1) by discounts suffered on sales of the same class of stock or (2) by credits to Corporate Surplus or Deficit account upon reacquirement or retirement of the stock.

If the net of the balances in the discount-and-premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be included in the balance-sheet statement in account No. 134, "Unextinguished Discount on Capital Stock"; if a credit balance, the amount should be shown in account No. 152, "Premiums on Capital Stock."

In no case should discount on capital stock be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

7. **Discount, Expense, and Premium on Funded Debt.**—Ledger accounts should be provided to cover the discount, expense, and premiums on each class of funded debt issued or assumed by the company. By *discount* is meant the excess of the par value of funded-debt securities issued or assumed, and the accrued interest thereon, over the actual cash value of the consideration received for such securities (except securities that have been sold and reacquired); by *premium* is meant the excess of the actual cash value of the consideration received for funded-debt securities issued or assumed over the par value of such securities and the accrued interest thereon (except securities that have been sold and reacquired).

By *expense* is meant all expenses in connection with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds, cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper having a life of more than one year; fees paid trustees provided for in mortgages and trust deeds; fees and commissions paid underwriters and brokers for marketing such evidences of debt and other like expense.

If the net balance in any of these accounts is a debit, there should be charged to income account No. 338, "Amortization of Debt Discount and Expense," during each fiscal period (and credited to the discount and premium accounts in which the discount and expense is carried) such proportion of the discount and expense on the outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity, will extinguish the discount and expense on the funded debt. The charge to Income for any period shall not exceed the proportion applicable to that period, and a charge should be made for each period so long as any portion of the discount and expense remains unextinguished. In order that the discount and expense may be extinguished sooner, the company may, at its option, charge to Corporate Surplus or Deficit account all or any portion of the discount and expense on funded debt remaining at any time unextinguished.

If the net balance in any of these account is a credit there should be credited to income account No. 339, "Release of Premiums on Debt—Cr.," during each fiscal period (and debited to the discount and premium accounts in which the premium is carried) such proportion of the premium on outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity of the debt, will extinguish the premium at which such debt was sold.

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be included in account No. 135, "Unamortized Debt Discount and Expense;" if a credit balance, the amount should be included in account No. 168, "'Unextinguished Premium on Debt."

Except as provided in section 11, page 27, no discount and expense on funded debt should be charged to or included in any account as a part of

the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

8. **Contingent assets and liabilities.**—Contingent assets and liabilities should not be included in the body of the balance-sheet statement, but should be shown in detail in a supplementary statement accompanying the balance-sheet statement. Contingent assets represent possible sources of value contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may, under certain conditions, become obligations of the company, but are neither direct nor assumed obligations on the date of the balance sheet.

TEXT EXPLANATORY OF BALANCE-SHEET ACCOUNTS

ASSET ACCOUNTS

PERMANENT AND LONG TERM INVESTMENTS

100. Fixed Capital Installed Prior to July 1, 1914.[1]

In this account (on the balance-sheet statement) should be shown the total of the balances in the ledger accounts representing the company's fixed capital, which was installed prior to July 1, 1914, and which is still in service at the date of the balance sheet. (See text of this account on p. 27.)

101. Fixed Capital Installed Since June 30, 1914.[1]

In this account (on the balance-sheet statement) should be shown the total of the balances in the ledger accounts representing the company's fixed capital which has been installed since June 30, 1914, and which is still in service at the date of the balance sheet. (See text of this account on p. 27.)

102. Reserve for Accrued Depreciation—Cr.[1]

Credit to this account such amounts as are concurrently charged to account No. 608, "Depreciation of Plant and Equipment," No. 701, "Shop Expense," No. 702, "Stable and Garage Expense," and No. 703, "Tool Expense," to cover the expense of depreciation of plant, equipment, furniture, tools and implements, as specified in the text of these accounts. This account should also be credited with any amount carried in reserve on July 1, 1914, to cover the expense of depreciation on plant, equipment, furniture, tools and implements installed prior to that date.

Charge to this account the realized depreciation of tangible fixed capital installed since June 30, 1914, when such capital is relinquished, retired, or destroyed, also the amount of depreciation carried herein in respect to tangible fixed capital installed prior to July 1, 1914, when relinquished, retired, or destroyed. (See secs. 14, p. 28, and 23, p. 53.)

Charge also to this account such part of the expenditures for extraordinary repairs as is concurrently credited to account No. 611, "Repairs Charged to Reserves—Cr."

103. Reserve for Amortization of Intangible Capital—Cr.[1]

Credit to this account such amounts as are concurrently charged to account No. 340, "Amortization of Landed Capital," and to account No. 674, "Amortization of Franchises and Patents." Charge to this account when any franchise, patent, or landed capital expires or is relinquished, the amount at which it stood charged in the company's fixed capital accounts or such portion thereof as has been previously credited to this reserve. When any intangible capital acquired prior to the raising of this reserve expires or is relinquished, that portion of its cost which has not been covered by credits to this account or previously written off should be charged to account No. 414, "Amortization Unprovided for Elsewhere."

[1] The total of accounts Nos. 100 and 101 should be drawn down on the balance-sheet statement and the total of accounts Nos. 102 and 103 deducted therefrom, the difference being shown as the net total.

104. Construction Work in Progress.

This account should include the amounts expended upon plant that is in process of construction under estimates or work orders, but is not ready for service at the date of the balance sheet. It includes interest charged to construction, also such proportion of plant supervision expenses, engineering expenses, tool expenses, supply expenses, and general expenses as may be properly chargeable to the construction work included under this account.

When the work is completed on any job the cost of which has been included in this account, this account should be credited with the amount at which it stands charged, and the appropriate fixed capital or other accounts should be concurrently charged, but expenditures should not be carried in this account beyond the close of the fiscal year next succeeding that in which the expenditures were made.

105. Investment Securities.

This account should include the cost or book value of stocks, bonds, and other evidences of indebtedness (including notes having dates of maturity of more than one year from date of issue) held by the accounting company, and pledged as collateral for other securities issued or assumed, or held as a means of obtaining or exercising control over other corporations, for devotion to future operations, or for securing other business advantages.

In stating this account or the subaccounts provided hereunder on the balance-sheet statement the par value of securities issued or assumed by the accounting company and carried in this account should be deducted in order that this account will show only the cost or book value of securities of other companies. (See sec. 5, p. 12.)

The following subaccounts should be kept by class A companies:

106. *Stocks of System Corporations.*[1]

107. *Funded Debt of System Corporations.*[1]

108. *Miscellaneous Stocks.*

109. *Miscellaneous Funded Debt.*

Note A—Short-term notes payable upon demand or having dates of maturity of one year or less from the date of issue should not be included herein but in account No. 110, "Advances to System Corporations for Construction, Equipment and Betterments," or No. 117, "Bills Receivable," as may be appropriate.

Note B—In the annual reports of Class A and Class B telephone companies to the Commission investments will be required to be classified so as to show those held subject to a lien of some character and those held free of all lien or pledge.

110. Advances to System Corporations for Construction, Equipment, and Betterments.

This account should include advances to controlling, affiliated, controlled, and subsidiary corporations to enable such corporations to pay for construction, equipment, or additions and betterments, if such advances are of a permanent nature (i. e., if there is not an understanding that the advances are to be repaid within one year) or if it is understood and intended that reimbursement shall be made by the issue of the securities of the debtor corporation.

Note A—Gifts to system corporations made without expectation of reimbursement should be included in account No. 353, "Miscellaneous Appropriations from Income," or No. 416, "Miscellaneous Appropriations of Surplus" and not in this account.

Note B—Temporary advances on open accounts to system corporations and such advances for purposes other than construction, equipment and betterments should be included in account No. 119, "Accounts Receivable from System Corporations."

111. Miscellaneous Investments.

This account should include investments of a permanent nature in property (tangible or intangible) other than that held for the operation of the company's plant as a telephone system. It should include such items as investments in lighting, water, and power plants, manufacturing plants, lands, and buildings and other property not a part of the company's plant for telephone operations or of facilities incident thereto.

[1] By a *system corporation* is meant any controlling, affiliated, controlled, or subsidiary corporation.

WORKING ASSETS

112. CASH AND DEPOSITS.

This account includes the various items respecting cash and special deposits as provided in the following subaccounts:

113. *Cash.*

This account should include the amount of current funds available for use on demand in the hands of financial officers and agents, or deposited in banks or with trust companies, and cash in transit for which agents receive current credit.

114. *Special Deposits.*

This account should include deposits to pay declared dividends and matured interest; cash realized from the sale of securities and deposited with trustees for disbursement when the purposes for which the securities are sold are accomplished; amounts realized from the sale of property and deposited with trustees other than in sinking funds until the property is replaced; special deposits (in other than sinking funds) for the payment of debts and interest not matured; money and securities deposited to secure the performance of contracts; and other deposits of a special nature not provided for elsewhere.

In stating this account on the balance-sheet statement the amount of any securities issued or assumed by the accounting company and included herein should be deducted in order that this account will show only the assets herein other than the company's own securities. (See sec. 5, p. 12.)

115. EMPLOYEES' WORKING FUNDS.

This account should include amounts advanced to general and special agents, and other officers and employees as working funds from which certain expenditures are to be made and accounted for.

116. MARKETABLE SECURITIES.

This account should include the cost or book value of securities held in the company's treasury unpledged and free for sale and not necessary or desirable for the telephone company to hold for the purpose of maintaining the integrity of its telephone system.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account should be deducted in order that this account may show only the cost or book value of securities of other companies. (See sec. 5, p. 12.)

117. BILLS RECEIVABLE.

This account should include the cost of all collectible obligations in the form of bills receivable or other similar evidences of money receivable on demand or within a time not exceeding one year (excluding interest coupons).

NOTE A—Notes having dates of maturity of more than one year after date of issue should not be included in this account but in account No. 105, "Investment Securities," or No. 116, "Marketable Securities."

NOTE B—When loans to system corporations[1] for construction purposes are evidenced by demand or short-term notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 110, "Advances to system Corporations for Construction, Equipment, and Betterments."

118. DUE FROM SUBSCRIBERS AND AGENTS.

This account should include amounts due from subscribers for services rendered or billed and from agents and collectors authorized to make collections from subscribers.

This account should be kept in such manner as will enable the companies to make the following analysis, viz:

(*a*) Amounts due from subscribers who are still receiving telephone service.

(*b*) Amounts due from subscribers whose telephone service has been discontinued and whose accounts are in process of collection in the usual way.

(c) Amounts due from subscribers whose telephone service has been discontinued and whose accounts are in litigation or otherwise suspended.

Credit to a subaccount hereunder such amounts as may be concurrently charged to account No. 304, "Uncollectible Operating Revenues," to provide a reserve for uncollectible accounts due from subscribers and agents. If such reserve is provided, when any bill for services has proved impracticable of collection, this subaccount should be charged and the account in which the bill is carried should be credited.

119. Accounts Receivable from System Corporations.

This account should include amounts due from controlling, affiliated, controlled, or subsidiary corporations on open accounts other than those provided for in account No. 110, "Advances to System Corporations for Construction, Equipment, and Betterments."

120. Miscellaneous Accounts Receivable.

This account should include all amounts owed to the company upon accounts with solvent concerns (other than system corporations and subscribers and agents), also the cost of all accounts and claims (except notes or negotiable bills) upon which responsibility is acknowledged by solvent concerns or which are sufficiently secured to be considered good, and of all judgments against solvent concerns where the judgment is not appealable or suspended through appeal.

Note—Cash on deposit in banks or with trust companies should not be included in this account but in account No. 113, "Cash," or No. 114, "Special Deposits."

121. Matured Interest and Dividends Receivable.

This account should include all interest accrued and due but not yet collected upon bonds, notes, or other commercial paper held by or for the benefit of the company, and all dividends declared and due by solvent concerns but not yet collected, the right to which is in the company.

122. Materials and Supplies.

This account should include the cost of unapplied material, including the value of material temporarily in use and not charged out in the company's accounts; articles in process of manufacture by the company; tools, fuel, stationery, and other supplies. Freight and express charges paid on material included in this account should be included in the value of such material.

Where discounts recovered through prompt payment can not be credited to the particular bills, the cost at which such materials and supplies should be charged should be the invoice cost, and any discounts recovered through prompt payment of bills for such materials and supplies should be credited to clearing account No. 704, "Supply Expense."

When any tangible fixed capital is discontinued, withdrawn, or retired, and when any equipment, materials, and supplies are returned to store, the salvage value thereof should be charged to this account, regardless of whether such equipment, materials, and supplies are to be consumed in operation or in construction, or to be sold. If such value is not known and can not readily be determined, it should be estimated, and errors in such estimates, when determined, involved during the year in which the estimates were made, should be adjusted through the accounts involved; if later, then through the Corporate Surplus or Deficit account.

Inventories of materials and supplies on hand and unapplied should be taken at least annually, and any shortages or overages disclosed by such inventories should be credited or debited to this account and debited or credited to clearing account No. 704, "Supply Expense," in case such shortages or overages can not be assigned to specific accounts.

123. Other Current Assets.

This account should include the cost of all current assets which are not includible under any of the foregoing accounts. By current

assets are meant only those things that are readily convertible into money and which are held not as investments but with the intent of being presently converted into money.

ACCRUED INCOME NOT DUE

124. Unmatured Interest, Dividends, and Rents Receivable.

This account should include the amount of interest on loans made and rents under leases accrued to the date of the balance sheet, but not due or collectible until after that date, and dividends declared on stocks owned, and dividends accrued on such stocks when contracts require that the dividends be paid at stated times.

DEFERRED DEBIT ITEMS

125. Sinking Fund Assets.

This account should include the amount of cash, the cost or book value of live securities of other companies, the par value of live securities issued or assumed by the accounting company, and other assets which are in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations; also amounts deposited with such trustees on account of mortgaged property sold. A separate account should be raised for each sinking fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the net assets in sinking funds other than the company's own securities. (See sec. 5, p. 12.)

126. Insurance and Other Reserve Fund Assets.

This account should include the amount of cash, the cost or book value of securities of other companies, the par value of securities issued or assumed by the accounting company, and other assets in the hands of trustees or managers of insurance, and other funds that have been raised and specifically set aside or invested by the company for specific purposes (except special deposits, provident funds, and sinking funds for the retirement of obligations). A separate account should be raised for each fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the net assets in the funds other than the company's own securities. (See sec. 5, p. 12.)

127. Provident Fund Assets.

This account should include the amount of cash, and the cost or book value of securities and other assets in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds (whether contributed by the company, by employees, or by others), when such trustees or managers are acting for the company in the administration of such funds. (See account No. 170.)

128. Prepayments.

This account should include the balances arising from the payment of rents, taxes, insurance, and like disbursements, in advance of the period to which they pertain, as defined in the following subaccounts:

129. *Prepaid Rents.*

This account should include the amount of rents paid in advance of the enjoyment of the term. As the term is consumed, credit this account at monthly intervals and debit the appropriate rent account with the amount applicable to the month.

130. *Prepaid Taxes.*

This account should include the excess of taxes paid over the amount properly chargeable to Income or other accounts as shown by the debit balance in the Tax Liability account. (See sec. 16, p. 38.)

131. *Prepaid Insurance.*

When premiums on insurance policies are paid in advance of their accrual, the amount prepaid shall be charged to this account. As such premiums accrue, they should be credited at monthly intervals to this account and charged to account No. 668, "Insurance."

132. *Prepaid Directory Expense.*

Charge to this account the cost of preparing, printing, binding and delivering directories; also the cost of soliciting advertisements for directories. When directories are issued, this account should be credited each month and operating expense account No. 649, "Directory Expenses," should be charged with the proportion of the cost based on the number of months the directory will be in use.

133. *Other Prepayments.*

When prepayments are made for anything other than as provided for in the four next preceding accounts, the amount of such prepayments should be included in this account.

134. Unextinguished Discount on Capital Stock.

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 6, p. 12.)

135. Unamortized Debt Discount and Expense.

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 7, p. 13.)

136. Other Suspense.

This account should include all debits not provided for elsewhere and the proper final disposition of which is uncertain. It will include all such items as expense of preliminary surveys, plans, investigations, etc., made for determining the feasibility of projects under contemplation. Should any such project later be carried to completion, such amounts should be credited to this account and charged to the proper fixed capital account or accounts; should it be abandoned, such amounts should be charged to Corporate Surplus or Deficit account.

This account should also include the amounts carried in suspense due to extraordinary casualties and unanticipated reconstruction. (See sec. 24, p. 53.)

When the proper disposition of any item charged to this account is determined, it should be credited to this account and charged to the appropriate account or accounts.

CORPORATE DEFICIT

137. Corporate Deficit.

Under this head should be shown the debit balance, if any, in the Corporate Surplus or Deficit account. (See sec. 17, p. 44.)

LIABILITY ACCOUNTS

STOCK

150. Capital Stock.

This account should include the par value of stock actually issued. In case of the issue of two or more classes of stock a separate account should be provided for each class. Credit to a subaccount entitled "Installments on Stock Subscriptions," the amount of installments paid on subscriptions for capital stocks; when certificates of stock are issued for installments paid, this subaccount should be cleared and the par value of the stock so issued should be credited to the account appropriate for such stock.

The amounts included in this account, or in the subaccounts, should be subdivided so as to show (1) the par value of certificates issued and

outstanding and not held by the company, its agents or trustees, and (2) the par value of certificates (pledged or unpledged) issued by the company and held by or for it. In stating the accounts on the balance-sheet statement, the latter amount should be deducted from the total in order to show only the par value of the certificates actually outstanding in the hands of the public at the date of the balance-sheet statement. (See sec. 5, p. 12.)

NOTE A—By *capital stock*, as the term is here used, is meant those securities which repre sent permanent interests in the corporation, or interests which, if terminable, are so only at the option of the corporation. Stocks are classified as—

Common stocks, those whose claims in the distribution of dividends are subordinate to the claims of all other stocks.

Preferred stocks, those having a first claim upon those dividends which may be distributed.

Debenture stocks, those issued under a contract to pay a specified return at specified intervals.

No two stocks should be considered of the same class unless they are equal in their dividend or interest rights, their voting rights, and the conditions under which they may be retired.

NOTE B—If any issue of stock is for money, that fact should be stated; and if for any consideration other than money, the person to whom issued should be designated, and the consideration for which issued should be described with sufficient particularity to identify it. If such issue is to the treasurer or other agent of the company, to be by him disposed of for the benefit of the company, that fact and the name of such agent should be shown; and such agent should, in his account of the disposition thereof, show the like details concerning the consideration realized thereon.

NOTE C—If the fair cash value of the consideration realized upon the issue of any amount of stock is greater or less than the par value of such stock the difference should be credited or charged to an appropriate discount and premium account, and corresponding reference thereto should be contained in the entry relating to such stock in the stock account. (See sec. 6, p. 12.)

151. STOCK LIABILITY FOR CONVERSION OF SECURITIES.

This account should include the par value of stock that the company has agreed to issue in exchange for securities of constituent companies whose physical property has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

152. PREMIUMS ON CAPITAL STOCK.

If the net of the balances in the discounts and premiums accounts for all classes of capital stock sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 6, p. 12.)

LONG TERM DEBT

153. FUNDED DEBT.

This account should include the par value of funded debt actually issued or assumed by the company. In case of two or more classes of funded debt a separate account should be provided for each class. Credit to a subaccount, entitled "Installments on Funded Debt Subscriptions," the amount of installments paid on subscriptions to funded debt issues. When bonds, notes, or other evidences of indebtedness are delivered, this subaccount should be cleared and the par value of the funded debt so issued should be credited to the account appropriate for such funded debt. The entry in any account should show also the purpose for which funded debt is issued.

The amounts included in this account, or in the subaccounts, should be subdivided so as to show (1) the par value of funded debt securities issued or assumed and outstanding and not held by the company, its agents or trustees, and (2) the par value of funded debt securities (pledged or unpledged) issued or assumed by the accounting company and held by or for it. In stating the accounts on the balance-sheet statement the latter amount should be deducted from the total in order to show only the par value of funded debt securities actually outstanding in the hands of the public at the date of the balance-sheet statement. (See sec. 5, p. 12.)

NOTE A—By *funded debt*, as the term is here used, is meant the par value of all bonds, notes and other evidences of indebtedness (except open accounts for advances) which, by the terms of the creation of the debt, do not mature until more than one year after the date of such creation. Funded debt is classified in accordance with four principal characteristics, viz: (1) mortgage or other lien or security therefor; (2) rate of interest; (3) interest dates; and (4) date of maturity. No two amounts of funded debt should be considered of the same class unless agreeing in all four of the above characteristics, except that any issue of securities agreeing in the first three characteristics but maturing serially may be treated as of the same class.

Where any portion of the funded debt rests only on the general credit of the corporation and is not specially secured or supported by lien of any character, it should, for the purpose of these accounts, be known as a debenture. Debentures include promissory notes unsecured by mortgage or other lien, and securities commonly known as plain bonds.

NOTE B—If the consideration received for any issue of funded debt is any thing else than money, the entry should show the principal to whom issued and should describe with sufficent particularity to identify it the consideration actually received for the issue. If the issue is in any case to an agent of an undisclosed principal, the name and business address of such agent and the fact of his agency should be shown in the entry.

NOTE C—If the fair cash value of the consideration realized upon the issue of any amount of funded debt securities is greater or less than the par value of such securities plus the accrued interest, the difference should be credited or charged to an appropriate discount-and-premium account, and corresponding reference thereto should be made in the entry relating to such debt in the funded debt account. (See sec. 7, p. 13.)

154. RECEIVERS' CERTIFICATES.

When any receiver acting under the orders of a court of competent jurisdiction is in possession of the property of the company and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates should be credited to this account. Interest accruing upon such certificates should also be credited monthly to this account, and when paid should be charged to this account.

155. ADVANCES FROM SYSTEM CORPORATIONS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include advances from controlling, affiliated, controlled, and subsidiary corporations to enable the accounting company to pay for construction, equipment, or additions and betterments if such advances are of a permanent nature (i. e., if there is not an understanding that the advances are to be repaid within one year), or if it is understood and intended that a reimbursement shall be made by the issue of the securities of the debtor corporation.

NOTE A—Gifts from system corporations without expectation of reimbursement should not be credited to this account but to account NO. 401, "Miscellaneous Additions to Surplus."

NOTE B—Temporary advances on open accounts from system corporations and such advances for purposes other than construction, equipment, or additions and betterments should be included in account No. 160, "Accounts Payable to System Corporations."

WORKING LIABILITIES

156. JUDGMENTS UNPAID.

When any judgment of indebtedness is rendered against the company by a court of competent jurisdiction, or any fine or penalty requiring the payment of money is assessed against the company by such a court, and no appeal accompanied by stay of execution has been taken therefrom within the time allowed by law for such appeal, the amount of such judgment, fine, or penalty should be credited to this account, and the entry should designate the action or suit as a consequence of which such judgment is pronounced or such fine or penalty assesed. The designation of the action or suit should show what court, the term thereof, the parties, and the character of the action or suit. Interest accruing upon any such judgment should be credited monthly to this account. When payment is made this account should be charged.

NOTE—In case of appeal and affirmance in whole or in part, from which judgment of affirmance a further appeal lies, the same rule shall apply as upon entry of original judgment.

157. BILLS PAYABLE.

This account should include the par value of all notes, drafts, and other evidences of indebtedness, issued or assumed by the company, and which are payable on demand or within a time not exceeding one year.

NOTE—When loans from system corporations for construction purposes are evidenced by demand or short-term notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 155, "Advances from System Corporations for Construction, Equipment, and Betterments."

158. AUDITED VOUCHERS AND WAGES UNPAID.

This account should include the amount of audited vouchers or accounts and audited pay rolls unpaid on the date of the balance sheet. Include also the amount of unclaimed wages and outstanding pay and time checks issued in payment of wages.

159. Subscribers' Deposits.

Credit to this account, as such deposits are made, all cash deposited with the company by subscribers for telephone service as security for the payment of bills. Deposits refunded should be charged to this account and credited to cash. Deposits applied to uncollectible telephone bills should be credited to the account of the subscriber and charged to this account.

160. Accounts Payable to System Corporations.

This account should include the amounts owed by controlling, affiliated, controlled, or subsidiary corporations on open accounts other than those provided for in account No. 155, "Advances from System Corporations for Construction, Equipment, and Betterments."

161. Miscellaneous Accounts Payable.

This account should include all amounts owed to miscellaneous creditors on open accounts and not provided for elsewhere.

162. Matured Interest, Dividends, and Rents Unpaid.

This account should include interest matured and unpaid on loans and funded debt of the accounting company, and of other companies, when payment has been assumed by the company; rents due and unpaid on property held under leases; and dividends due and payable on capital stock but unpaid, uncalled for, or unclaimed at the date of the balance sheet.

163. Matured Funded Debt Unpaid.

This account should include the amount of matured mortgage, bonded, and other funded debt payable, but not yet paid, including bonds drawn for redemption through the operation of sinking and redemption fund agreements.

164. Service Billed in Advance.

When bills are made for service to be rendered in future months, and the amount of the bills is included in account No. 118, "Due from Subscribers and Agents," or other asset account but not in the revenue accounts, the proportion of the bills applicable to future months should be credited to this account. As the term expires for which the bill is made, the appropriate revenue account should be credited and this account debited with the amount applicable to the current month. When toll coupons or tickets are sold, this account should be credited with the amount representing the service to be rendered. At the end of each month this account should be charged and the appropriate revenue accounts credited with the amount of coupons and tickets (less the discount, in case coupons or tickets were sold at a discount) redeemed during that month.

165. Other Current Liabilities.

This account should include the amounts of all current liabilities which are not included in any of the foregoing accounts.

ACCRUED LIABILITIES NOT DUE

166. Taxes Accrued.

This account should include the amount of taxes accrued and properly charged against income or other accounts in excess of the amount of taxes paid. (See sec. 16, p. 38.)

167. Other Accrued Liabilities not Due.

This account should include the amount of interest on loans and funded debt, including interest on funded debt assumed, and rents under leases accrued to the date for which the balance sheet is made but not due until after that date; dividends on stock declared prior to the date of the balance sheet but not payable until after that date, and other liabilities (except taxes) that have accrued to the date of the balance sheet but not due until after that date.

Note—The interest accruing on any judgment against the company or upon any receivers' certificate should be credited to the account to which such judgment or receivers' certificate stands credited.

DEFERRED CREDIT ITEMS

168. Unextinguished Premium on Debt.

If the net of the balances in the discount-and-premium accounts for all classes of funded debt sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 7, p. 13.)

169. Insurance and Casualty Reserves.

This account should include any specific appropriation of income or surplus and such amounts as are concurrently charged to account No. 668, "Insurance," to cover self-carried risks on fire, fidelity, boiler, casualty, burglar, and other self-carried insurance. Charge to this account the proportion of losses realized on items protected by such self-carried insurance.

When any admitted liability arises because of loss or damage to the property of others or of injuries to employees or other persons, the amount of the liability may (if not previously provided for by insurance or self-insurance) be charged to the appropriate operating expense or other accounts and credited to this account, against which (in such case) the actual cost of satisfaction of the liability should be charged when the matter is determined. If the extent of the liability can not be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter should be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the company, the indemnifiable portion of the loss should be charged to the insurer and credited to this account.

170. Liability on Account of Provident Funds.

This account should include any specific appropriation of income or surplus and such amounts as are charged to account No. 672, "Relief Department and Pensions," to provide for pension, benefit and other provident payments.

This account should also include the ledger balances covering the amount of cash and the cost or book value of securities and other assets in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds (whether contributed by the company, by employees, or by others), when such trustees or managers are acting for the company in the administration of such funds; also the amount of such funds held in the company's treasury.

APPROPRIATED SURPLUS

171. Surplus Invested Since June 30, 1914, in Fixed Capital.

This account should include such amounts of surplus as are definitely set aside to cover expenditures for extensions or improvements of the fixed capital of the accounting company; such appropriations include those made for the purpose of discharging the principal (less the discount, if any, suffered at the time of sale) of any obligations incurred in the acquisition of any property whose cost is carried in the fixed capital accounts. The amounts credited to this account should be concurrently charged to account No. 352, "Appropriations of Income for Construction, Equipment, and Betterments," or No. 415, "Appropriations of Surplus for Construction, Equipment, and Betterments."

This account should not include temporary apropriations for the acquisition of property the cost of which is intended later to be met by an issue of securities, nor appropriations for the payment of obligations which are intended to be replaced by new issues.

172. Surplus Invested in Sinking Funds.

This account should include appropriations of income or surplus specifically invested or set aside in the hands of trustees for sinking and redemption funds, including accretions to such funds.

The amounts credited to this account should be concurrently charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds," or No. 411, "Appropriations of Surplus to Sinking and Other Reserve Funds."

173. Other Surplus Reserved.

This account should include all appropriations of income or surplus held in reserve except as covered by accounts Nos. 169, 170, 171, and 172. A separate subaccount should be raised for each reserve, and the entries in such subaccounts will be required to be shown separately in the annual report to the Commission.

This account should also include the unexpended balance, if any, of appropriations intended to be invested in fixed capital, and such appropriations to sinking or redemption fund reserves as are not specifically invested.

CORPORATE SURPLUS

174. Corporate Surplus Unappropriated.

Under this head should be shown the credit balance, if any, in the Corporate Surplus or Deficit account. (See sec. 17, p. 44.)

FIXED CAPITAL ACCOUNTS

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INSTRUCTIONS PERTAINING TO FIXED CAPITAL ACCOUNTS

9. **Fixed capital defined.**—By the fixed capital of a company (frequently termed the *construction account*) is meant the property, both tangible and intangible, which is devoted to the accomplishment of the principal purposes of its business, and which has an expectation of life in service of more than one year from date of installation in service (exception being made in the case of hand tools and other small portable tools that may be lost or stolen).

Fixed capital consists of *original capital*, *additions*, *betterments*, and *replacements*, and the cost thereof should be charged as directed below.

Original capital is the fixed capital installed or acquired prior to the beginning of regular operations by the company. As applied to a telephone company it includes the acquisition or construction of the plant necessary to begin the regular operation of an exchange or toll system. The cost of original capital should be charged to the appropriate subaccounts under account No. 100, "Fixed Capital Installed Prior to July 1, 1914," or under account No. 101, "Fixed Capital Installed Since June 30, 1914."

Additions are structures, facilities, equipment, and other properties added to those in service at the beginning of operations, and not taking the place of any property of like purpose previously held by the company. The cost of additions should be charged to the appropriate subaccounts under account No. 101, "Fixed Capital Installed Since June 30, 1914."

Betterments are mechanical changes in structures, facilities, or equipment which have as their primary aim and result the making of the properties affected more useful or of greater capacity than they were at the time of their installation or acquisition. The cost of such portion only of the changes incident to betterments as will, when added to the original cost of the property bettered, give the cost of replacement or reconstruction in present condition of the property as bettered should be charged to the appropriate subaccounts under account No. 101, "Fixed Capital Installed Since June 30, 1914." The remainder of the cost of the change should be classed as a repair and be charged to the appropriate operating expense accounts.

Replacements are those installations of fixed capital which have for their purpose the substitution of one building, structure, piece of equipment, or machinery for another which it has become necessary to retire, the substitute having substantially no greater capacity than the property replaced; also the extension of life period of franchises, patents, and other intangible fixed capital.

The cost of the fixed capital retired should be credited to the fixed capital accounts in which it is carried and the cost of the fixed capital installed in place of fixed capital so retired should be charged to the appropriate subaccounts under account No. 101, "Fixed Capital Installed Since June 30, 1914."

10. **Costs to be actual money costs.**—All charges made to fixed capital or other property accounts with respect to any property acquired on or after July 1, 1914, should be the actual money costs of the property. When the consideration actually given for anything with respect to which a charge is made to any fixed capital or other property account is anything other than money, the actual consideration should be described in the entry with sufficient fullness and particularity to identify it, and the amount charged should be the actual money value of such consideration at the time of the transaction.

11. **Interest accruing during construction period.**—Account No. 268, "Interest During Construction," should include only such proportion of the

interest on funds used for construction purposes and of the discount and expense on funded debt as is equitably assignable to the period between the date of the issuance of securities and the time when the property acquired or the improvement made through such issuance becomes available for the service for which it is intended. The proportion of interest, discount, and expense thus chargeable should be that which the period prior to the completion or coming into service of the facilities or improvements constructed bears to the entire life of the securities issued.

12. **Costs of labor, materials, and supplies.**—The term *cost* as used in the fixed capital (or construction) accounts means the actual cost in money of labor and materials used in construction, or the actual cost in money of property acquired after construction, or if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase. Cost of labor includes not only wages, salaries, and fees paid employees, but also the personal expenses of such employees when borne by the company. Cost of material and supplies consumed in construction is the cost at the places where they enter into construction, including cost of transportation and inspection when specifically assignable. If such materials and supplies are passed through storehouses, their cost entered in the account may include a suitable proportion of store expense.

13. **Plant and equipment and other property purchased.**—When any property in the form of a going or completed plant is purchased, an appraisal of the property so acquired should be made, and the different constituent elements of the plant (and equipment, if any) or other property acquired should be appraised at their structural value; that is to say, at the estimated cost of replacement or reproduction less deterioration to the then existing conditions through wear and tear, obsolescence, and inadequacy. If the actual money value of the consideration given for the plant or other property was at the time of the acquisition in excess of such appraised value, the excess should be charged to account No. 204, "Other Intangible Capital," and the appraised values of the constituent elements should be charged to the appropriate fixed capital accounts as hereinafter designated. If the actual money value of the consideration given was not in excess of such appraised value, such actual money value should be distributed through the said accounts in proportion to the said appraised value of the constituent elements appropriate to the respective accounts.

Companies should be prepared to furnish the Commission, upon demand, a full report of the contract of acquisition, the consideration given therefor, the determination of the actual money value of such consideration if other than money, the appraisal, and the amounts charged to the respective accounts for each plant or other such fixed capital purchased. The purchaser is required to procure in connection with the acquisition of any such plant or other fixed capital all existing records, memoranda, and accounts in the possession or control of the grantor relating to the construction and improvement of such plant, and to preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them.

14. **Fixed capital withdrawn or retired.**—(*a*) When any tangible fixed capital acquired prior to July 1, 1914, is withdrawn or retired from service for any cause, the amount at which it stands charged should be credited to the subaccount under account No. 100, "Fixed Capital Installed Prior to July 1, 1914," in which it is charged, and such amount, plus the expenses incident to the retirement, less the value of salvage, should be charged (1) to account No. 102, "Reserve for Accrued Depreciation—Cr." for the proportion applicable to the period covered by the reserve, and (2) to account No. 413, "Realized Depreciation not Covered by Reserves" for the remainder. Such portion only of the realized depreciation shall be charged to account No. 102, as is due to life in service during the period for which the reserve was established; this portion may be estimated on the basis of the proportion which the life in service of the property in question after that date bears to its entire life in service.

The entry of the credit to the fixed capital account should cite by name and page of book or other record the original entry of cost of the thing withdrawn. If there is no such original entry, that fact should be stated in connection with the credit entry, and the actual amount originally charged should be credited. If such amount is not known, it should be estimated, the facts upon which the estimate is based and the name of the person by whom estimated should be shown, and the amount thus estimated to be equivalent to the original charge in respect of such thing withdrawn should be credited to the fixed capital accounts involved.

(*b*) When any tangible fixed capital acquired subsequent to June 30, 1914, is withdrawn or retired from service for any cause the amount at which it stands charged should be credited to the fixed capital account in which it is charged, and such amount, plus the expenses incident to the retirement, less the value of salvage, should be charged to account No. 102, "Reserve for Accrued Depreciation—Cr."

The entry of the credit to the fixed capital account should cite by name and page of book or other record the original entry of cost of the thing withdrawn.

(*c*) If the age of tangible fixed capital withdrawn or retired from service can not be determined for classification between account No. 100, "Fixed Capital Installed Prior to July 1, 1914," and account No. 101, "Fixed Capital Installed Since June 30, 1914," the property so retired should be treated as having been charged to the former account, and the necessary credits should be made to the subaccounts thereunder.

(*d*) When any fixed capital is withdrawn or retired whose book value as carried in the fixed capital accounts has been reduced by writing off estimated depreciation, only that part of the realized depreciation which has not already been written off should be charged to account No. 102, "Reserve for Accrued Depreciation—Cr.," or to account No. 413, "Realized Depreciation not Covered by Reserves."

(*e*) When any fixed capital is withdrawn or retired whose book value is greater than the known or estimated cost, such excess should be charged to account No. 417, "Other Deductions from Surplus," and the realized depreciation should be charged as elsewhere directed.

(*f*) If any fixed capital is sold for more than its original cost, the amount of depreciation, if any, accrued and credited to a reserve in respect thereof, should be determined as accurately as possible and charged to such reserve. The sum of the amount so charged and the excess of the selling price over the cost of the property should be credited to account No. 401, "Miscellaneous Additions to Surplus."

TEXT EXPLANATORY OF FIXED CAPITAL ACCOUNTS

100. FIXED CAPITAL INSTALLED PRIOR TO JULY 1, 1914.

This account is a summary of those accounts which include the fixed capital of the company installed prior to July 1, 1914, and which is still in service at the date of the balance sheet.

The accounts representing the fixed capital of the company as carried on its books at the close of June 30, 1914, should be so designated upon the books of the company as to show clearly that they relate only to fixed capital installed prior to the close of that date. No debits should be made to such accounts with respect to any property subsequently acquired, but the cost of such property should be charged to the accounts hereinafter provided. (See sec. 9, p. 27, and note under account No. 101.)

NOTE—In the reports to the Commission a statement will be required showing the names of the accounts for fixed capital actually carried by the company on June 30, 1914, and the balances therein at the date of the report.

101. FIXED CAPITAL INSTALLED SINCE June 30, 1914.

This account is a summary of accounts Nos. 200 to 274, inclusive, which includes the cost of fixed capital installed since June 30, 1914. The sum of the balances in accounts Nos. 200 to 274, inclusive, as provided hereinafter, should be shown on the balance-sheet statement under this account. (See sec. 9, p. 27.)

NOTE—If the accounts of a telephone company have been kept as prescribed by a State commission and it is possible to close the fixed capital accounts substantially into the primary fixed capital accounts prescribed hereinafter, it will not be necessary to separate the fixed capital accounts as of July 1, 1914, but the primary accounts under account No. 101 may include the fixed capital accounts since the effective date of supervision by the State commission, and the dates in the titles of accounts Nos. 100 and 101 may be changed accordingly.

200. INTANGIBLE CAPITAL.

This account should include the cost of intangible capital, as provided for in the following subaccounts:

201. *Organization.*

This account should include all fees paid to governments for the privilege of incorporation, and all office and other expenditures incident to organizing the company or other enterprise and putting it in readiness to do business. This includes the cost of preparing and distributing prospectuses, the cost of soliciting subscriptions for stock (but not for loans nor for the purchase of bonds or other evidence of indebtedness), cash fees paid to promoters, and the actual cash value at the time of organization of securities paid to promoters for their services in organizing the enterprise; counsel fees; cost of preparing and issuing certificates of stock, and cost of procuring certificates of necessity from State authorities, and other like costs.

202. *Franchises.*

This account should include the amount (exclusive of any tax or annual charge) actually paid to governments as the consideration for the grant of such franchise or right as is necessary to the conduct of the company's telephone operations. If any such franchise is acquired by assignment, the charge to this account in respect thereof should not exceed the amount actually paid therefor by the company to its assignor, nor should it exceed the amount actually paid the government. Any excess of the amount actually paid by the company over the amount paid by the original grantee to the grantor of the franchise should be charged to account No. 204, "Other Intangible Capital." If any such franchise has a life of not more than one year after the date when it is first exercised by the company, it should not be charged to

this account, but to the appropriate accounts in operating expenses, or in account No. 128, "Prepayments," if extending beyond the fiscal year.

NOTE—Annual or more frequent payments in respect of franchises must not be charged to this account, but to the appropriate tax or operating expense account.

203. *Patent Rights.*

This account should include the cost of all rights (having a life of more than one year from the date when placed in service) acquired by the company in or under valid patents granted by the United States to inventors for inventions and discoveries in connection with the conduct of the company's telephone operations.

204. *Other Intangible Capital.*

This account should include the cost of all other property coming within the definition of intangible capital and devoted to telephone operations. Entries of charges to this account should describe the acquired property with sufficient particularity clearly to identify it, and should also show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated if not known, and, if estimated, the facts upon which the estimate is based. (See sec. 13, p. 28.)

207. RIGHT OF WAY.

This account should include the cost of all land and interests in land acquired for the location of telephone wires, cables, pole lines, and conduits; salaries and expenses of right-of-way agents; expenses of appraisals and of juries, commissioners, or arbitrators in condemnation cases; real-estate brokers' commissions; cost of plats, abstracts, notarial fees, examination of title, recording deeds, etc.

This account should also include the first cost of acquiring leaseholds of land for right of way, the terms of which are more than one year each, whether acquired through direct lease, assignment, or otherwise (but not including the rents paid periodically in consideration of rights obtained under such leases). If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

210. LAND AND BUILDINGS.

This account should include the cost of land and buildings as provided for in the following subaccounts:

211. *Land.*

This account should include the cost of all land and interests in land, other than right of way, acquired for use in the operation of the telephone plant, such as land occupied by general and central offices, shops, stables, garages, storehouses, etc. It includes the cost of examination and registration of title, conveyancer's and notary's fees, purchasing agent's commissions or proportion of purchasing agent's salary, taxes accrued to date of transfer of title, and all liens upon the title, when such costs are assumed or paid by the purchaser in his own behalf; cost of assessments for public improvements which add to the value of the lands but which are not the property of the accounting company; cost of grading land when not done in connection with buildings; and costs of obtaining consents and payments for abutting damages and expenses of condemnation proceedings.

This account should also include the first cost of acquiring leaseholds of land, other than for right of way, the terms of which are more than one year each, whether acquired through direct lease, assignment, or otherwise (but not including the rents paid periodically in consideration of rights obtained under such leases). If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

NOTE—Cost of buildings and other improvements (except as specified above) should not be included in this subaccount. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements thereon which improvements are devoted by the company to telephone operations, and if the price of such improvements is not determined by the contract, the buildings or improvements should be appraised at their fair cash

value for use in such operations, and such appraised value shall be charged to account No. 212, "Buildings." If such improvements are devoted to operations other than telephone or held as investments, the cost (or the appraised value, if the cost is not determined in the contract of acquisition) should be charged to account No. 111, "Miscellaneous Investments." If the improvements are removed or wrecked, the salvage (less the cost of removal or wreckage) should be credited to this account.

212. *Buildings.*

This account should include the cost of all buildings, such as general and central offices, shops, stables, garages, storehouses, etc., devoted to the general purposes of the company; also of all permanent fixtures, such as water, steam, and gas pipes and fixtures; electric wiring and fixtures for lighting, signaling, etc.; elevators and the engines and motors specially provided for operating them; furnaces, boilers, and other apparatus provided for producing steam for such engines and for heating; electric generators specially provided for producing current for lighting such buildings, etc. This account includes such piers and other foundations for machinery and apparatus as are designed to be as permanent as the buildings in (or in connection with) which they are constructed, and to outlast the first machinery or apparatus mounted thereon. It also includes the cost of real-estate brokers' commissions, examinations and registrations of titles, and other expenses, such as architects' fees, supervision, etc., incident to the construction or purchase of buildings; and the cost of grading and of sidewalks, fences, hedges, etc., on grounds used in connection with such buildings. It does not include any telephone equipment, wiring, or apparatus for generating or controlling electricity for operation of the telephone system.

220. Central Office Equipment.

This account should include the cost of all central office equipment, as follows:

221. *Central Office Telephone Equipment.*

This account should include the cost of local and toll switchboards, chief operators', monitors', and supervisors' desks and tables, wire chiefs' testing outfits, main and intermediate frames, cables, and jumper wires, call registers or meters, relay racks and coil racks, and power plants, including rectifers, generators, engines, motors, batteries, power switchboards, meters, and fuse boards; telephone and telegraph instruments, and other electrical instruments and apparatus in the central office devoted to the operation of the telephone plant.

222. *Other Equipment of Central Offices.*

This account should include the cost of furniture and equipment (other than telephone equipment) in central offices for the operating forces. This account includes the furniture and equipment in operators' rest and lunch rooms, and in operators' schools.

230. Station Equipment.

This account should include the cost of all telephone terminal equipment installed in service, either for subscribers or for company use, including the cost of installation, as follows:

231. *Station Apparatus.*

This account should include the cost of station apparatus, such as telephone sets, intercommunicating sets, bells, backboards, desk stands, coin boxes, protectors, battery boxes, initial batteries and cords, special station switching devices not otherwise classified, and telephone and telegraph instruments or parts thereof when owned by the company and installed for service.

232. *Station Installations.*

This account should include the cost of installing station apparatus and the cost of the inside wires; that is, the wires (or cables) from the instruments to the point of entrance to the building, where the drop wires or interior block wires terminate, or to the junction boxes, where the house cable or other cable terminates, including wires on the same premises to connect main and extension stations, or to connect the private branch exchange distributing frames with their terminal stations.

233. *Interior Block Wires.*

This account should include the cost of interior block wires (or cables) from the point of entrance to the building, where connection is made with the inside wires, to the point of connection with the permanent circuits at the terminals (block cable boxes) or the subsidiary underground cable or subsidiary aerial cable.

234. *Private Branch Exchanges.*

This account should include the cost of private branch exchange switchboards, their distributing frames, the cables connecting such switchboards and distributing frames, and the cost of installation.

235. *Booths and Special Fittings.*

This account should include the cost of booths and special fittings, such as desks, chairs, fans, and cash registers, and the cost of installation.

241. EXCHANGE POLE LINES.[1]

This account should include the cost of poles, towers, cross arms, pins, brackets, braces, guy wire, guy stubs, and other materials used in the construction of exchange service pole lines; also the cost of first clearing right of way.

242. EXCHANGE AERIAL CABLE.[1]

This account should include the cost of cables devoted to exchange service including the cost of suspension wire, cable clips and rings, cable boxes and fittings, pole seats and platforms, loading coils, pot heads, protectors, sleeves, and other material used in hanging such cables.

243. EXCHANGE AERIAL WIRE.[1]

This account should include the cost of exchange service wires, including insulators, sleeves, and other materials used in attaching such wires to the insulators. The exchange wire includes the drop wire leading from the overhead plant to the point of entrance to the building.

244. EXCHANGE UNDERGROUND CONDUITS.[1]

This account should include the cost of exchange service conduits, including the cost of pipe, cement, manholes, manhole furnishings, and other materials used, the cost of connections to poles and buildings, repaving, and other costs incident to the installation of such conduits.

245. EXCHANGE UNDERGROUND CABLE.[1]

This account should include the cost of exchange service underground cables, including cable boxes and fittings, loading coils, and other materials used in the work of installing such cables, and other cost incident thereto.

This account should include, in addition to the main exchange underground cable, the subsidiary cables through laterals to pole or building terminals; the subsidiary cables to the interior of city blocks for connection with interior block wires; and the subsidiary cables entering vertically (as house cables) into buildings for connection there with inside wires.

NOTE—House cables are considered to be vertical extensions of underground cables or plant similar thereto. They do not include the inside wires extending from terminal boxes of house cables to subscribers' stations, nor the cables for subscribers' private branch exchange switchboards which are included in account No. 232, "Station Installations."

246. EXCHANGE SUBMARINE CABLE.[1]

This account should include the cost of exchange submarine cable, cable towers, loading coils, cable boxes and fittings, and other materials used in the installation of such cables, and other costs incident thereto.

251. TOLL POLE LINES.[1]

This account should include the cost of poles, towers, cross arms, pins, brackets, braces, guy wire, guy stubs, and other materials used in the construction of toll-service pole lines; also the cost of first clearing right of way.

[1] If plant is used both for exchange and toll service, the principal use of such plant should determine its classification.

252. Toll Aerial Cable.[1]

This account should include the cost of cables devoted to toll service, including the cost of suspension wire, cable clips and rings, cable boxes and fittings, pole seats and platforms, loading coils, pot heads, protectors, sleeves, and other materials used in hanging such cables.

253. Toll Aerial Wire.[1]

This account should include the cost of toll-service wires, including insulators, sleeves, and other materials used in attaching such wires to the insulators.

254. Toll Underground Conduit.[1]

This account should include the cost of toll-service conduits, including the cost of pipe, cement, manholes, manhole furnishings, and other materials used, the cost of connections to poles and buildings, repaving, and other costs incident to the installation of such conduits.

255. Toll Underground Cable.[1]

This account should include the cost of toll-service underground cables, including cable boxes and fittings, loading coils, and other materials used in the work of installing such cables, and other costs incident thereto.

256. Toll Submarine Cable.[1]

This account should include the cost of toll submarine cable, cable towers, loading coils, cable boxes and fittings, and other materials used in the installation of such cables, and other costs incident thereto.

260. General Equipment.

This account should include the cost of the equipment classified in the subaccounts hereunder. Items of small value or short life, such as portable tools liable to be lost or stolen, temporary shelving, waste baskets, gloves, whips, and the like, should not be included in this account or the subaccounts hereunder but should be charged direct to the operating expense accounts or to the clearing accounts.

261. *Office Furniture and Fixtures.*

This account should include the cost of desks, tables, chairs, carpets, cases, movable partitions, railings, shelves, typewriters, addressing machines, adding machines, and other office devices; stoves, portable gas and electric fixtures, and other office fittings (except fittings considered a part of the building as provided for in account No. 212, "Buildings," and telephone equipment provided for under account No. 220, "Central Office Equipment.")

262. *General Shop Equipment.*

This account should include the cost of all equipment specially provided for general shops, such as engines, gas producers, electric generators, and other power apparatus used in operating machinery in such shops; machine tools, shafting, belts, and like shop equipment; also such smithing equipment in general shops as is used principally for general purposes other than shoeing horses and repairing vehicles.

Note—Hand and other small portable tools liable to be lost or stolen should not be included herein, but portable tools and apparatus of special value may be charged to this account and remain herein so long as record is kept of such tools and apparatus.

263. *General Store Equipment.*

This account should include the cost of all equipment of general store structures, such as movable counters, movable shelving, and other movable equipment of like nature; carts, barrows, trucks, tools, etc., and other apparatus and appliances used in handling, storing, or packing materials and supplies.

Note—Counters, shelving and the like which are permanently attached to the structure should be charged to account No. 212, "Buildings," and not to this account.

264. *General Stable and Garage Equipment.*

This account should include the cost of all equipment of general stables, including horses, harness, drays, wagons, automobiles and

[1] If plant is used both for exchange and toll service, the principal use of such plant should determine its classification.

other vehicles; equipment of shoeing shops, harness-repair shops, vehicle-repair shops, etc.

265. *General Tools and Implements.*

This account should include the cost of portable testing apparatus and valuable tools and implements devoted to the maintenance or construction of the telephone plant and not provided for in the equipment accounts. This does not include tools not yet in use carried as supplies unissued.

268. Interest During Construction.

This account should include the interest upon all moneys (and credits available upon demand) devoted to the construction and equipment of the property from the time of such devotion until the construction is ready for use. Interest receivable accrued upon such moneys (and upon such credits) should be credited to this account.

If any property with respect to which an interest charge is included in this account is withdrawn or retired from service, the amount of such interest (estimated, if not known) should be credited to this account and charged off as a part of the original cost of the property so retired. No interest upon expenditures for replacements or reconstruction should be included in this account or any other fixed capital account unless proper credits are made to the appropriate fixed capital accounts for any interest included in such accounts in respect of the property retired or withdrawn. (See sec. 11, p. 27.)

270. Undistributed Construction Expenditures.

This account should include the expenditures provided for in the following subaccounts when such expenditures can not be satisfactorily allocated to the fixed capital accounts to which they relate. Upon the retirement or withdrawal of any property with respect to which any charge is included in this account or any subaccount hereunder, there should be credited to this account or the appropriate subaccount such part of the undistributed expenditures during construction (estimated, if not known) as may be applicable to the property withdrawn or retired.

271. *Engineering and Superintendence.*

This account should include all expenditures for services and expenses of engineers, draftsmen, and superintendents employed on preliminary and construction work when the expenditures can not be assigned to specific construction accounts.

272. *Law Expenditures During Construction.*

This account should include general law expenditures incurred in the construction of the telephone plant, such as the pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; the cost of printing briefs, legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suits and payments of special fees, notarial fees, and witness fees, and other court expenses. When any of the expenditures enumerated herein can be charged directly to the account for which incurred, they should be so charged and not to this account. Expenditures incurred in connection with the acquisition of right of way should be charged to account No. 207, "Right of Way," and in the acquisition of other land to account No. 211, "Land." Law expenditures in connection with the organization of the corporation should be charged to account No. 201, "Organization."

273. *Taxes During Construction.*

This account should include all taxes and assessments levied and paid on property belonging to the company while under construction and before the plant is opened for operation, except special taxes assessed for street and other improvements, such as grading, sewering, curbing, guttering, paving, sidewalks, etc., which should be charged to the account to which the property benefited is charged.

274. *Miscellaneous Construction Expenditures.*

This account should include salaries and expenses of executive and general officers of the telephone company before it is ready to begin operations; clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the office expenses; insurance during construction; also construction and equipment items of a special and incidental nature which can not properly be charged to any other fixed capital account.

NOTE A—This account may include a suitable proportion of supply expenses when such expenses are not assignable to specific materials.

NOTE B—This account should not include any costs of organization, or any costs or discounts connected with the issue and disposal of stocks, bonds, or other securities, or commercial paper.

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INSTRUCTIONS PERTAINING TO INCOME STATEMENT

15. **Income account defined.**—The Income Account brings together those accounts that show the total amount of money that the company has received or become entitled to receive for services rendered during a given period, the return accruing upon investments during the period and the disbursements and obligations (fixed charges) incurred that affect the disposition of the amounts so received or accrued.

The sum total of the credit balances in the operating revenue accounts at the close of a fiscal period diminished by the operating expenses, the taxes, and the uncollectible bills assignable to such operation gives the operating income (or loss) for the period.

To the net revenue (or deficit) are added the nonoperating revenues, less the nonoperating revenue deductions, which gives the gross income for the period.

From the gross income are deducted various compulsory deductions grouped herein as "Deductions from Gross Income"; this gives the Net Income (or Loss) for the particular period. From the Net Income are deducted such appropriations as are made from Income; this gives the amount that should be carried to the Corporate Surplus or Deficit account.

16. **Taxes.**—Separate accounts should be kept of the taxes applicable to operating and to nonoperating revenues, and, if the company engages in business other than telephone operations, taxes applicable to such other business should also be kept separate.

The tax accounts should be charged each month and an open account termed "Tax Liability Account" should be concurrently credited with the month's proportion of taxes applicable to the operations covered by each account. If the exact amount of the annual taxes are not known, they should be estimated and one-twelfth of the estimated amounts be charged each month. From time to time during the year, as the actual tax levies become known, the monthly charges should be adjusted so as to include as nearly as may be possible the total amount of the taxes in the period to which they apply. When any such tax bill is actually paid, the "Tax Liability Account" should be debited with the amount of the payment. If the balance in the "Tax Liability Account" is a debit balance, due to the prepayment of taxes applicable to a period subsequent to that for which the Income Account is stated, the amount of the debit balance should be shown in account No. 130, "Prepaid Taxes"; and if the balance is a credit balance the amount should be shown in account No. 166, "Taxes Accrued."

Taxes on property leased should be charged to the appropriate tax account by the party which, under the terms of the lease contract, is obligated for such taxes. If the other party to the lease, as a matter of convenience, pays the taxes to the government authorities, such taxes should not enter its tax accounts but should be charged directly to the party obligated for the taxes.

The tax accounts must not include any fees or charges sometimes called taxes, such as water taxes, drainage taxes, fire taxes, etc., which are payments for some specified service rendered by the government.

TEXT EXPLANATORY OF ACCOUNTS APPEARING IN THE INCOME STATEMENT

I. OPERATING INCOME

300. Telephone Operating Revenues.

This account should include the total operating revenues derived from the telephone operations of the company for the period covered by the income account statement. (For the primary operating revenue accounts, see pp. 48 to 50.)

301. Telephone Operating Expenses.

This account should include the total operating expenses of the telephone operations of the company for the period covered by the income account statement. (For the primary operating expense accounts, see pp. 55 to 61.)

302. Other Operating Revenues.

This account should include the total revenues of the company derived from operations, other than telephone operations, for the period covered by the income account statement. This account includes the revenue derived from the operation of property carried in balance-sheet account No. 111, "Miscellaneous Investments," when such property is operated by the accounting company.

303. Other Operating Expenses.

This account should include the total expenses of operations other than telephone operations for the period covered by the income account statement. This account includes the expenses of the operation of property carried in balance-sheet account No. 111, "Miscellaneous Investments," when such property is operated by the accounting company.

304. Uncollectible Operating Revenues.

This account should include the amount of any account for telephone or other services which, after a reasonably diligent effort to collect, has proved impracticable of collection. This account includes only uncollectible bills for amounts which have been treated as operating revenues; other uncollectible bills should be charged to account No. 323, "Uncollectible Non-operating Revenues," or to Corporate Surplus or Deficit account, as may be appropriate.

This account may include monthly charges, based upon estimates, to create a reserve for uncollectible bills, provided such reserve is adjusted annually in accordance with the experience of the accounting company. Such amounts should be credited to a subaccount under account No. 118, "Due from Subscribers and Agents," to which should be charged bills that have proved impracticable of collection.

305. Taxes Assignable to Operations.

This account should include Federal, State, county, municipal, and other taxing-district taxes relating to telephone property, operations, and privileges for the period for which the Income Account is stated. This account should also include the taxes on other property and operations, the revenues and expenses of which are included in accounts 302 and 303, respectively. (See sec. 16, p. 38.)

II. NON-OPERATING REVENUES

310. Rent Revenues from Lease of Telephone Plant.

This account should include all revenues from the company's interests in telephone plant or equipment held by others under some form of lease whereby it surrenders possession of such property for operating purposes.

This account is intended to cover only rents receivable for the use of telephone exchanges or operating units held as a whole by others under some form of lease.

311. Miscellaneous Rent Revenue.

This account should include the revenues accruing to the company as a return upon rented property other than telephone plant and equipment, held by others under lease, as provided for in the preceding account.

Note—If the property rented is so intimately connected with property used in the company's telephone operations that the expenses on the former can not be ascertained, the revenues should be credited to account No. 505, "Minor Rents of Exchange Plant," No. 515, "Minor Rents of Toll Plant," or No. 524, "Rents from Other Operating Property," as may be appropriate, and the expenses in connection with the rented property should be included in the operating expenses.

312. Dividend Revenues.

This account should include dividends declared on stocks owned by the accounting company (and held in its treasury or deposited in trust), or controlled through lease or otherwise, the income from which is the property of the accounting company. Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

Note A—This account should not include credits for dividends on stocks issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

Note B—Dividends on stocks of other companies held in sinking or other reserve funds should not be included in this account, but should be credited to account No. 314, "Sinking and Other Reserve Fund Accretions."

313. Interest Revenues.

This account should include interest on funded securities of other companies owned by the accounting company (and held in its treasury or deposited in trust), or controlled through lease or otherwise, the income from which is the property of the accounting company; interest on notes, bank balances, and open accounts; and other analogous items including discount on short-term notes. Interest accrued should not be credited unless its payment is reasonably assured by past experience, guaranty, anticipated provision or otherwise. In other cases the credit to this account should be based upon the interest actually collected.

Note A—This account should not include interest on funded securities issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

Note B—Interest on funded securities of other companies held in sinking or other reserve funds should not be included in this account, but in account No. 314, "Sinking and Other Reserve Fund Accretions."

Note C—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the discount or premium on funded securities of other companies owned.

314. Sinking and Other Reserve Fund Accretions.

This account should include the revenues accruing on cash, securities, and other assets (other than securities issued or assumed by the accounting company) in the hands of the trustees or specifically set aside for sinking and other special funds.

Note A—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the discount or premium on funded securities of other companies held in sinking or other reserve funds.

Note B—If the income on any special fund is retained in the fund and if the fund is required to be represented by a reserve, the amounts credited to this account in respect to such income should be concurrently charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds," and credited to account No. 172, "Surplus Invested in Sinking Funds," or other appropriate reserve account.

315. Profits from Operations of Others.

Whenever in accordance with the terms of any contract the company is entitled to participate in the profits from operations of others, all revenues accruing to the company from such source should be credited to this account.

Note—This account does not include any dividends or other returns upon securities issued by such separately operating companies, nor any remuneration for services or the use of property as provided for in account No. 526, "Licensee Revenue—Cr."

316. Miscellaneous Non-operating Revenues.

This account should include all non-operating revenues not provided for in the foregoing accounts.

III. NON-OPERATING REVENUE DEDUCTIONS

320. Rent Expense.

This account should include all expenses in connection with rented property, the rents of which are included in account No. 310 or No. 311, such as the cost of maintenance when borne by the company, the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collector's commissions, cost of enforcing payment of rent, cost of ousting tenants, etc. This includes the expense accruing while the property is idle and awaiting an occupant. It does not include taxes.

Note—If the property rented is so intimately connected with property used in the company's telephone operations that the expenses on the former can not be ascertained, they should be included in the operating expenses and the revenue should be credited to account No. 505, "Minor Rents of Exchange Plant," No. 515, "Minor Rents of Toll Plant," or No. 524, "Rents from Other Operating Property," as may be appropriate.

321. Miscellaneous Non-operating Expense.

This account should include all expenses in connection with non-operating revenue other than the expense provided for in account No. 320, "Rent Expense." This account should include all expenses in connection with procuring interest revenue, dividend revenue, profits from operations of others, and analogous items. It does not include the taxes on such investments.

322. Non-operating Taxes.

This account should include all taxes payable by the company accrued upon non-operating property and all taxes assignable to non-operating revenues. (See sec. 16, p. 38.)

323. Uncollectable Non-operating Revenues.

When any non-operating revenues are judged by the company to be uncollectible, the amount thereof should be credited to the account in which theretofore charged and charged to this account.

IV. DEDUCTIONS FROM GROSS INCOME

330. Rent Deductions for Lease of Telephone Plant.

This account should include all amounts accrued against the company for rent of telephone plant and equipment which it holds under some form of lease from another, and of which for operating purposes it has the exclusive possession.

This account is intended to cover only rents payable for the use of telephone exchanges or operating units held as a whole under some form of lease.

331. Rent Deductions for Telephone Offices.

This account should include the rents payable accruing for use of general offices and central and branch telephone offices owned by others, excepting rents for which provisions are hereinafter made under "Clearing accounts." (See p. 61.)

Note—Where rent payments cover services, light, heat, etc., and maintenance, in addition to a return upon investment, an apportionment should be made of the rent payment and the amount representing interest and maintenance (estimated, if not known) should be charged to this account, the balance of the payment being charged to the appropriate expense accounts. Where repairs of rented buildings are made by the company, the cost of such repairs should be charged to the appropriate operating expense or other accounts.

332. Rent Deductions for Conduits, Poles, and Other Supports.

This account should include the rents payable accruing for the use of ducts, conduits, or subways owned by others and rents for the use of poles, fences, or buildings as supports for the telephone lines of the accounting company.

333. Rent Deductions for Instruments and Equipment.

This account should include the rents payable accruing for telephone instruments and equipment owned by others.

This account does not include amounts paid licensor telephone companies under an agreement to pay a certain percentage of revenues for use of instruments, privilege of connection, etc.

334. Miscellaneous Rent Deductions.

This account should include rents payable accrued not provided for elsewhere.

Note—Rent of tools, equipment, or other facilities used for construction should not be included in this account, but in the appropriate fixed capital account.

335. Interest Deductions for Funded Debt.

This account should include all interest accrued on outstanding funded debt and debenture stock issued or assumed by the company. This account does not include interest on securities held by the company in its treasury, in sinking or other reserve funds, or pledged as collateral.

Note A—Interest accruing on funded securities after maturity should not be included in this account, but in account No. 336, "Other Interest Deductions."

Note B—If any of the funded debt securities issued or assumed by the company are held in its sinking or other reserve funds and the interest on such funded debt is an accretion to the fund, the interest on such securities should not be charged to this account, but an amount equal to the interest on the funded debt so held should be charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds." This does not apply to securities carried in account No. 127, "Provident Fund Assets."

336. Other Interest Deductions.

This account should include all interest accrued on unfunded debt, such as short-term notes payable on demand or having dates of maturity one year or less from date of issue, and open accounts and other analogous items, including discount on short-term notes; also interest accruing on funded debt securities after maturity of debt.

337. Loss on Operations of Others.

Whenever, in accordance with the terms of any contract, the company is bound to contribute toward reimbursement of the losses resulting from the operations of others, all liabilities against the company accruing from such source should be charged to this account.

338. Amortization of Debt Discount and Expense.

Charge to this account during each fiscal period the proportion of the unamortized discount and expense on outstanding funded debt which is applicable to the period. (See sec. 7, p. 13.)

339. Release of Premiums on Debt—Cr.

Credit to this account during each fiscal period the proportion of the premium at which outstanding funded debt was issued which is applicable to the period. (See sec. 7, p. 13.)

340. Amortization of Landed Capital.

Charge to this account during each fiscal period such portion of the original money cost (estimated, if not known) of landed capital as carried in account No. 207, "Right of Way," and No. 211, "Land," as is necessary to cover the proportion of life thereof expired during such period.

Note A—The amounts charged to this account should be concurrently credited to accoun No. 103, "Reserve for Amortization of Intangible Capital—Cr."

Note B—When any landed capital expires or is otherwise retired from service (as e. g., through sale) the fixed capital account or investment account, if any, originally charged therewith should be credited with the amount originally charged, account No. 103, "Reserve for Amortization of Intangible Capital—Cr.," should be debited with all amounts theretofore credited to such account in respect of such capital so going out of service; the appropriate account should be debited with the proceeds of sale, if any, and any necessary adjustment should be made through the Corporate Surplus or Deficit account.

341. Miscellaneous Deductions from Income.

This account should include all deductions from gross income which are in the nature of fixed charges but not otherwise provided for, such as those required by the terms of some contract, agreement, charter provision, law, or ordinance. Such deduction should not include any appropriations or dispositions of income that rest solely in the discretion of the accounting company.

V. DISPOSITION OF NET INCOME

350. Appropriations of Income to Sinking and Other Reserve Funds.

This account should include amounts of appropriations of income for sinking and other reserve funds. The terms of mortgages, deeds

of trust, or other contracts providing for the allocation of income or for the payment of definite sums into sinking and other reserve funds, and for accretions to such funds on account of income from previous investments, may be made the basis of such appropriations.

The appropriations for payments or accretions to the funds may include amounts equal to (1) direct payments; (2) the interest or dividends on securities issued or assumed by the accounting company and held in such funds; (3) the income from investments in securities (other than those issued or assumed by the accounting company) held in such funds; and (4) the income from cash and other property held in such funds.

NOTE A—The amounts charged to this account should be concurrently credited to account No. 172, "Surplus Invested in Sinking Funds," or other appropriate reserve.

NOTE B—If appropriations for direct payments are made from surplus, they should be charged to account No. 411, "Appropriations of Surplus to Sinking and Other Reserve Funds."

351. DIVIDEND APPROPRIATIONS OF INCOME.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from income.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A—This account should include the dividends declared out of income on all classes of capital stock, except debenture stock. The payments on debenture stock should be charged to account No. 335, "Interest Deductions for Funded Debt."

NOTE B—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral. (See account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds.")

NOTE C—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account No. 412, "Dividend Appropriations of Surplus."

352. APPROPRIATIONS OF INCOME FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include amounts appropriated from income for construction and equipment and for betterments of property carried in fixed capital accounts.

These amounts should be subdivided so as to show—(*a*) amounts expended during preceding fiscal periods, (*b*) amounts expended during the current fiscal period, and (*c*) amounts held in reserve.

NOTE—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account No. 415, "Appropriations of Surplus for Construction, Equipment and Betterments."

353. MISCELLANEOUS APPROPRIATIONS OF INCOME.

This account should include appropriations of income not provided for elsewhere.

NOTE—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account No. 416, "Miscellaneous Appropriations of Surplus."

CORPORATE SURPLUS OR DEFICIT ACCOUNT

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417. OTHER DEDUCTIONS FROM SURPLUS 46

BALANCE CREDIT (AT END OF FISCAL PERIOD) CARRIED TO BALANCE SHEET.

INSTRUCTIONS PERTAINING TO CORPORATE SURPLUS OR DEFICIT ACCOUNT

17. **Corporate surplus or deficit account defined.**—This account or summary is the connecting link between the Income Account and the Balance Sheet. It summarizes the changes in the corporate surplus or deficit during a given fiscal period resulting from the operations and the business transactions during that period, as well as those effected by any disposition of net profits made solely at the option of the company by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere. The corporate surplus or deficit should be shown on the balance-sheet statement under account No. 137, "Corporate Deficit," or No. 174, "Corporate Surplus Unappropriated."

TEXT EXPLANATORY OF CORPORATE SURPLUS OR DEFICIT ACCOUNT

I. CREDITS

400. Credit Balance Transferred from Income Account.

Under this title should be shown the amount of net income brought forward from the Income Account.

401. Miscellaneous Additions to Surplus.

This account should include amounts (not provided for elsewhere) transferred to Surplus from other accounts and amounts representing increases in resources not properly assignable to the income of the fiscal period for which the accounts are stated. Among the items which should be credited to this account are, for example—

Adjustment or cancellation of old balance-sheet accounts (other than fixed capital).

Profits derived from the sale of property carried in account No. 111, "Miscellaneous Investments."

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than the par value.

Premium on capital stock at the time of its retirement.

Unextinguished premiums on funded debt retired before maturity.

II. DEBITS

410. Debit Balance Transferred from Income Account.

Under this title should be shown the amount of net loss brought forward from the Income Account.

411. Appropriations of Surplus to Sinking and Other Reserve Funds.

This account should include amounts of appropriations of surplus for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of surplus or for the payment of definite amounts into sinking and other reserve funds may be made the basis of such appropriations.

Note A—This account should be used if the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds."

Note B—If appropriations are made to cover the income accruing on sinking-fund assets and to cover amounts equivalent to interest on securities issued or assumed by the accounting company and held in such funds, the amounts of such appropriations should not be included in this account, but should be included in account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds." If appropriations are made to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds, the amounts of such appropriations may be included in this account or in account No. 350, according as the dividend is declared from surplus or from income.

Note C—The amounts charged to this account should be concurrently credited to balance-sheet account No. 172, "Surplus Invested in Sinking Funds," or other appropriate reserve accounts.

412. Dividend Appropriations of Surplus.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from surplus.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A—This account includes the dividends declared from surplus on all classes of capital stock except debenture stock. The payments on debenture stock should be charged to account No. 335, "Interest Deductions for Funded Debt."

NOTE B—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or sinking or other reserve funds, or pledged as collateral. (See account No. 411, "Appropriations of Surplus to Sinking and Other Reserve Funds.")

NOTE—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 351, "Dividend Appropriations of Income."

413. REALIZED DEPRECIATION NOT COVERED BY RESERVES.

Charge to this account the realized depreciation (i. e., the difference between the original cost and the salvage, if any) on tangible fixed capital retired, if such depreciation has not been provided for through a depreciation reserve. This includes such portion of the realized depreciation on any physical property which was installed prior to the period for which the reserve was established as is due to life in service before that period. This portion may be estimated on the basis of the proportion which the life in service of the property in question prior to the period for which the reserve was established bears to its entire life in service. (See sec. 23, p. 53.)

414. AMORTIZATION UNPROVIDED FOR ELSEWHERE.

Charge to this account, when any intangible property expires or is relinquished, such portion of its cost as has not been previously written off or is not covered by account No. 103, "Reserve for Amortization of Intangible Capital—Cr." Charge also to this account all optional amortization, such as that of assets carried in accounts No. 201, "Organization," and No. 204, "Other Intangible Capital."

415. APPROPRIATIONS OF SURPLUS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include amounts appropriated from surplus for construction and equipment and for betterments of property carried in the fixed capital accounts.

These amounts should be subdivided so as to show (*a*) amounts expended during preceding fiscal period, (*b*) amounts expended during the current fiscal period, and (*c*) amounts held in reserve.

NOTE—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 352, "Appropriations of Income for Construction, Equipment and Betterments."

416. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.

This account should include appropriations of surplus not provided for elsewhere.

NOTE—This account should be used when the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 353, "Miscellaneous Appropriations of Income."

417. OTHER DEDUCTIONS FROM SURPLUS.

This account should include amounts (not provided for elsewhere) transferred from Surplus to other accounts, amounts written off in consequence of adjustments, and payments not properly chargeable to Income for the fiscal period for which the accounts are stated. Among the items which should be charged to this account are, for example:

Adjustment or cancellation of old balance-sheet accounts (other than fixed capital).

Losses resulting from the sale, destruction, or retirement of property carried in account No. 111, "Miscellaneous Investments."

Losses resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value.

Deductions made to extinguish discount on capital stock.

Deductions made to amortize debt discount and expense when not properly chargeable to income.

NOTE—A complete analysis of this account will be required in annual reports of the company to the Commission.

OPERATING REVENUE ACCOUNTS

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INSTRUCTIONS PERTAINING TO OPERATING REVENUE ACCOUNTS

18. **Operating revenues defined.**—By *operating revenues* are meant all amounts of money which the company receives or becomes lawfully entitled to recover for services rendered and as a return upon property used by the company in its own operations. Credits to the various revenue accounts should be based upon the gross charges made for services rendered by the company.

19. **Deductions from revenues.**—Discounts allowed subscribers for prompt payment, corrections of overcharges, overcollections theretofore credited and afterwards corrected, authorized refunds on account of failures in transmission, and other corrections should be charged to the revenue account to which they relate.

20. **Commissions.**—Commissions paid to attendants at pay stations and to employees or others in lieu of salaries should be charged to appropriate expense accounts and not to the revenue accounts.

TEXT EXPLANATORY OF OPERATING REVENUE ACCOUNTS

I. EXCHANGE SERVICE REVENUES

500. Subscribers Station Revenues.

This account should include all revenues from subscribers for exchange service, extension stations, private branch exchanges, and other exchange service stations, whether the charge is based upon a flat rate or measured rate. Include in this account, also, charges made for the insertion of extra names in directory and for use of extra exchange mileage in circuits to subscribers' stations, installation and cancellation charges, and any commissions on telegraph tolls received in lieu of rent for exchange lines.

501. Public Pay Station Revenues.

This account should include all revenues from exchange service at public pay stations. This account should not include revenues from regular subscribers' stations having measured service or coin box service at standard rates. The amount credited to this account should be the gross amount collected or due at tariff rates; commissions allowed attendants or others for pay station tolls should be debited to account No. 648, "Pay Station Commissions," and not to this account.

502. Miscellaneous Exchange Service Revenues.

This account should include all revenues derived from exchange service other than from subscribers' stations or public pay stations, as provided for in the following subaccounts:

503. *Service Stations.*

This account should include switching charges and other revenues derived from stations, the lines and equipments for which are owned wholly or in part by others, but to which the accounting company furnishes exchange service.

504. *Private Exchange Lines.*

This account should include all revenues derived from telephone lines, equipment, and instruments forming part of the company's exchange plant and leased to others for use as private lines but without exchange connections with other subscribers.

505. *Minor Rents of Exchange Plant.*

This account should include all revenues derived from attachments to exchange poles, the use of exchange conduits, and other minor rents from exchange plant where such property is maintained by the accounting company, and the cost of such maintenance can not be separated from the expense of maintaining the rented property. This account should not include rents for equipment leased to licensees under an arrangement for a division of revenues as provided for in account No. 526, "Licensee Revenue—Cr."

506. *Other Exchange Revenues.*

This account should include all exchange service revenues not provided for elsewhere.

II. TOLL SERVICE REVENUES

510. MESSAGE TOLLS.

This account should include all revenues derived from messages transmitted wholly over the company's lines between stations in different exchange areas and for which a charge is made that is not included in contracts with subscribers for station service; also the accounting company's proportion of tolls on messages transmitted by the joint use of its own and other lines.

511. MISCELLANEOUS TOLL LINE REVENUES.

This account should include all toll service revenues (other than message tolls), as provided for in the following subaccounts:

512. *Leased Toll Lines.*

This account should include all revenues derived from toll lines (including the terminal exchange circuits) leased by others under contracts giving exclusive telephone use either continuously or during stated periods. Such plant may be leased in connection with private branch exchange or private exchange line installations.

NOTE—Revenues from private branch exchanges or private lines, the contracts for which provide for the use of toll circuits, should be divided (by estimate, if necessary) between Exchange Revenue and Toll Revenue.

513. *Telegraph Tolls.*

This account should include all revenues received from telegraph companies for the use of toll lines for telephoning telegrams and cablegrams.

514. *Telegraph Service on Toll Lines.*

This account should include all revenues derived from the use of toll lines for telegraph circuits, whether such lines are used by telegraph companies, brokers, or others.

515. *Minor Rents of Toll Plant.*

This account should include all revenues derived from attachments to toll poles, the use of toll conduits, and other minor rents from toll plant where such property is maintained by the accounting company, and the cost of such maintenance can not be separated from expense of maintaining the rented property. This account should not include rents from equipment leased to licensees under an arrangement for a division of revenues as provided for in account No. 526, "Licensee Revenue—Cr."

516. *Other Toll Line Revenues.*

This account should include all toll line revenues not provided for elsewhere.

III. MISCELLANEOUS OPERATING REVENUES

520. Messenger Service.

This account should include all revenues derived from messenger service.

521. Telegraph Commissions.

This account should include all commissions receivable for the collection of telegraph and cable tolls on messages transmitted between telegraph offices and their patrons and upon which the accounting company undertakes to make collection.

522. Other Telegraph Service Charges.

This account should include all revenues (not classed as telegraph commissions or telegraph tolls) received from telegraph companies for services rendered by the telephone company's employees in joint telephone offices in connection with telegraph and cable messages, such, for example, as receiving messages from the public and quoting rates.

523. Advertising and Directory.

This account should include all revenues derived from advertising in directories and elsewhere.

524. Rents from Other Operating Property.

This account should include all revenues accruing from the rent of buildings and other property (except leased wires, poles, conduits, and equipment covered by accounts No. 505, "Minor Rents of Exchange Plant," and No. 515, "Minor Rents of Toll Plant,"), when such property is used also by the company and the expense of maintaining and operating the rented portion can not be separated from the total expense.

525. Other Miscellaneous Revenue.

This account should include all miscellaneous operating revenues not provided for elsewhere. This account does not include non-operating revenue as provided for in accounts Nos. 310 to 316, inclusive.

526. Licensee Revenue—Cr.

When a telephone company grants to another telephone company the use of its patents or furnishes instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor should be included by the licensor in this account.

527. Licensee Revenue—Dr.

When a telephone company is granted by another telephone company the use of its patents, or is furnished instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor should be included by the licensee in this account.

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INSTRUCTIONS PERTAINING TO OPERATING EXPENSE ACCOUNTS

21. **Repairs defined.**—Repairs, as used in the text of the various operating expense accounts, includes ordinary and extraordinary repairs.

Ordinary repairs include:

(*a*) Testing for, locating, and clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, as, for example, pulling up slack, tightening guys and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;

(*b*) Replacements of minor or short-lived parts of structures, equipment, or facilities;

(*c*) Replacements of minor parts of wire plant or equipment made necessary by reason of faulty adjustments, excessive strains, mechanical injuries, or other minor casualties, not provided against in the charge for depreciation of plant and equipment;

(*d*) Rearrangements and changes in location of plant, except subscribers' station equipment (for which a special account is provided). This includes rearrangements of circuits, reassociation of party lines, rearranging grouping of trunks and calling circuits, recross connecting on distributing frames, rerunning jumper wires, underlining switchboard jacks, etc., together with materials used for such purposes which do not add to the tangible value of such plant;

(*e*) Recovering salvage and removing retired or abandoned property; (except subscribers' station equipment) when such costs are not provided for by the depreciation reserve.

Ordinary repairs are not required to be taken into account in fixing a rate of depreciation.

Extraordinary repairs include:

(*a*) Restoring to an efficient or proper condition buildings, structures, or other units of property which have deteriorated;

(*b*) Substituting, in order to maintain normal efficiency, new parts for old parts of continuous structures, such as pole lines, cables, wires, conduits, etc., where such substitutions do not amount to a practical replacement of any considerable length of such continuous structures;

(*c*) Restoring the condition of property damaged by storms, floods, fire, or other casualties.

(*d*) Recovering salvage and removing retired or abandoned property in connection with above work.

Extraordinary repairs should be provided for by adequate charges to depreciation.

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost should be handled through the capital accounts; that is, the cost of the property removed or replaced should be credited to the appropriate fixed capital accounts and the new property should be charged thereto.

All repairs, whether ordinary or extraordinary, should be charged to the appropriate primary operating expense accounts. Extraordinary repairs for which a reserve has been provided should then be concurrently charged to account No. 102, "Reserve for Accrued Depreciation—Cr.," and credited to account No. 611, "Repairs Charged to Reserves—Cr."

22. **Cost of repairs.**—The cost of repairs, as used in the text of the various operating expense accounts, should be understood to include the wages, salaries, and fees paid employees directly engaged in the work of repairs, personal expenses of such employees when borne by the company,

and the cost of materials and supplies consumed and the expenses of facilities employed in making the repairs less the value of any salvage recovered. It includes also the cost of direct supervision, such as of foreman or superintendents of repair gangs, but does not include the cost of general supervision as provided for in account No. 601, "Supervision of Maintenance."

23. **Depreciation of plant and equipment.**—Telephone companies should include in operating expenses depreciation charges for the purpose of creating proper and adequate reserves to cover the expenses of depreciation currently accruing in the tangible fixed capital. By *expense of depreciation* is meant—

(*a*) The losses suffered through the current lessening in value of tangible property from wear and tear (not covered by current repairs).

(*b*) Absolescence or inadequacy resulting from age, physical change, or supersession by reason of new inventions and discoveries, changes in popular demand, or public requirements, and

(*c*) Losses suffered through destruction of property by extraordinary casualties.

The amount charged as expense of depreciation should be based upon rules determined by the accounting company. Such rules may be derived from a consideration of the company's history and experience. Companies should be prepared to furnish the Commission, upon demand, the rules and a sworn statement of the facts, expert opinions, and estimates upon which they are based.

The estimate for depreciation of physical property should take into account—

(*a*) The gradual deterioration and ultimate retirement of units of property which may be satisfactorily individualized, such as buildings, machines, valuable instruments, etc., to the end that by the time such units of property go out of service there shall have been accumulated a reserve equal to the original money cost of such property plus expenses incident to retirement less the value of any salvage.

(*b*) The depreciation accruing in property which can not be readily individualized, such as pole lines, wires, cables, or other continuous structures, where expenditures for repairs or replacements of individual parts ordinarily are not actually made until the later years of the life in service of such property, and when made may, therefore, be classed as extraordinary repairs.

The rate of depreciation should be fixed so as to distribute, as nearly as may be, evenly throughout the life of the depreciating property the burden of repairs and the cost of capital consumed in operations during a given month or year, and should be based upon the average life of the units comprised in the respective classes of property.

The amount estimated to cover the expense of depreciation of fixed capital should be charged monthly to account No. 608, "Depreciation of Plant and Equipment" (or to the appropriate clearing account or accounts), and concurrently credited to account No. 102, "Reserve for Accrued Depreciation—Cr."

Account No. 413, "Realized Depreciation not Covered by Reserves," is provided in the Corporate Surplus or Deficit account for charges for realized depreciation on tangible fixed capital retired when such depreciation occurred prior to the establishment of account No. 102, "Reserve for Accrued Depreciation—Cr.," or has not been provided for by credits to that account.

24. **Extraordinary casualties and unanticipated reconstruction.**—If so authorized, upon application to the Commission, the company granted such authority may charge the amount named in the authorization to a suspense account for the purpose of distributing over a limited period an extraordinary loss of such a nature that it can not be anticipated by the exercise of reasonable prudence. Losses of this sort may be due to the requirements by lawful authority or public necessity of improvements involving the abandonment of a considerable portion of plant and equipment before it has attained its normal life in service, or to an extraordinary casualty entirely unforseen and unprovided for. The original cost of the property so

abandoned or destroyed should be credited to the fixed capital accounts in which it was carried, and such portion of the cost as may be authorized by the Commission may be charged to the suspense account, the remainder of the cost, less any salvage, being charged out as elsewhere provided in case of retirements of property. The suspense account so raised should be credited and account No. 609, "Extraordinary Depreciation," debited monthly with such an amount as will, through its regular application, amortize the amount of the loss at the end of the period designated.

All ordinary casualties (those which occur with such frequency that the principles of insurance are applicable thereto) should be provided for through an insurance reserve maintained for such losses or be included in the provision for depreciation of plant and equipment.

25. Joint operating expenses.—When any operating expense is incurred by the accounting company for the joint benefit of itself and others under an agreement for apportioning such expenses the company charging such expenses to others should credit such amounts to its primary expense accounts to which the expenses were charged when incurred. The debtor company should charge the amounts so billed to its primary expense accounts. Bills rendered by the operating company for joint expenses should show the expenses in detail.

The amounts so handled through the expense accounts should not include any allowance for profit or return upon the value of the property used; such allowance, if any, should be credited by the payee to the appropriate rent revenue account and charged by the payor to the appropriate rent deduction account.

TEXT EXPLANATORY OF OPERATING EXPENSE ACCOUNTS

I. MAINTENANCE EXPENSES

601. Supervision of Maintenance.

This account should include the pay and office and traveling expenses of superintendents and their assistants when directly in charge of maintenance of telephone plant, including general, division, and district plant superintendents, engineers, architects, and their office and field forces; the cost of repairing drafting and engineering instruments, and the original cost of such instruments as are not properly chargeable to fixed capital accounts; the cost of office and other supplies used by officers and employees whose salaries are charged to this account; janitor service, light, heat, and miscellaneous office expenses where separate offices are maintained for such employees; also that portion of the salaries and expenses of the general engineering staff of the company which is assignable to maintenance.

602. Repairs of Aerial Plant.

This account should include the cost of repairs of all plant classified as aerial plant, such as poles, towers, cross arms, pins, brackets, and other pole fixtures; braces, guy wires, guy stubs, and other pole supports; aerial cables, and the suspension wires, bolts, clamps, rings, hangers, etc., used to attach cables to poles, towers, or other supports; aerial cable loading coils, cable boxes, and their appurtenances; and aerial telephone wires, drop wires, tie wires, insulators, and sleeves. It includes also the cost of trimming trees and clearing and removing obstructions from right of way for aerial plant, other than the cost of first clearing right of way.

603. Repairs of Underground Plant.

This account should include the cost of repairs of all plant classified as underground plant, such as underground conduits and their appurtenances; underground cables, submarine cables, and the loading coils, towers, boxes, and fittings belonging to such cables. It also includes the cost of repairing right of way for underground and submarine cables, and the cost of repaving after repairs of underground conduits.

604. Repairs of Central Office Equipment.

This account should include the cost of repairing telephone equipment in central telephone offices, such as switchboards, monitors' and supervisors' desks, testing outfits, main and intermediate frames, cables, and jumper wires, call registers and meters, relay racks and coil racks; equipment for generating and regulating power for telephone purposes, such as batteries, engines, motors, generators, rectifiers, transformers, meters, fuses, and protectors; telephone and telegraph instruments and other electrical instruments and apparatus in the central office; equipment for operators' schools and rest rooms, and furniture and fixtures required for the uses or convenience of the operating forces.

605. Repairs of Station Equipment.

This account should include the cost of repairing station apparatus, such as telephone sets, intercommunicating sets, bells, backboards, desk stands, coin boxes, protectors, battery boxes, batteries, cords, and telephone and telegraph instruments or parts thereof; interior block wires; private branch exchange switchboards, distributing frames, and switchboard cables, and booths and special fittings for same, such as desks, chairs, fans, and cash registers.

Note—The cost of renewals of batteries at stations is not chargeable to this account, but to account No. 628, "Transmission Power."

606. Repairs of Buildings and Grounds.

This account should include the cost of repairing general offices, central offices, test stations, or other telephone offices and the fixtures (except telephone apparatus) therein, such as elevators, plumbing, apparatus for heating, lighting, ventilating, and power; and the cost of maintaining yards and grounds, with their fences, sidewalks, sewers, etc., appurtenant to such buildings. Charge also to this account the cost of repairing shops, stores, stables, and garages, and permanent fixtures therein.

607. Station Removals and Changes.

This account should include the cost of disconnecting and removing and of changing the location of all plant classified as subscribers' station equipment (as defined in account No. 230, "Station Equipment"), including freight and cartage on such equipment and material as is sent to storehouse.

(1) When stations are removed (not merely changed in location) from subscribers' premises, the original cost (estimated, if not known) of the station should be credited to the appropriate fixed capital accounts, and the cost of the instruments, private branch exchange apparatus, booths, and fittings should be charged to account No. 122, "Materials and Supplies," while the cost of installation, including inside wires, or interior block wires, and that portion of aerial wire which could be used only at the subscriber's premises from which the station is removed, less the value of any salvage, should be charged to this account.

Note—When extensive replacements are made of subscribers' station equipment, or of drop or block wiring taken out of service because of inadequacy, or obsolescence, as when a magneto system is changed to a common battery or when open wire distribution is replaced by interior block construction, the cost of making such replacements should be handled through the regular construction and depreciation accounts, and should not be included in the above account.

(2) If wiring left from previous installations is reused either on same or other premises, the gain should be credited to this account. This includes the gain on inside wires and interior block wires and on that portion of aerial wire which could be used only at subscribers' premises.

(3) When stations are disconnected but left on premises, charge to this account the cost of disconnecting, and when reconnected, the cost of reconnecting.

(4) When station location or service is changed, charge to this account the cost of such changes, less the amount, if any, properly chargeable to fixed capital accounts for actual additions to plant.

(5) Credit to this account amounts charged subscribers for moves and changes.

608. Depreciation of Plant and Equipment.

Charge to this account monthly the amount estimated to be necessary to cover the depreciation accruing during the month in the company's tangible fixed capital (except depreciation provided in "Clearing Accounts," Nos. 701, 702, and 703). Amounts charged to this account should be concurrently credited to account No. 102, "Reserve for Accrued Depreciation—Cr." (See sec. 23, p. 53.)

609. Extraordinary Depreciation.

This account should be charged monthly with such an amount as will, through its regular application, amortize any amount that may be carried in suspense on account of extraordinary casualties and unanticipated reconstruction. (See sec. 24, p. 53.)

610. Other Maintenance Expenses.

This account should include cost of repairing telephone plant and equipment not provided for elsewhere.

611. Repairs Charged to Reserves—Cr.

Credit to this account and charge concurrently to account No. 102, "Reserve for Accrued Depreciation—Cr.," an amount equal to the cost

of extraordinary repairs made for which provision had been made in that reserve; also, credit to this account and charge concurrently to the insurers or to the insurance reserve an amount equal to the cost of repairs made necessary by casualties, when such cost is covered by insurance or an insurance reserve. (See sec. 21, p. 52.)

II. TRAFFIC EXPENSES

620. CENTRAL OFFICE SUPERINTENDENCE.

This account should include the cost of all central office superintendence as provided in the following subaccounts:

621. *Traffic Superintendence.*

This account should include the pay and traveling expenses of officers and their assistants when directly in charge of traffic, either for the company as a whole or a territorial subdivision; also cost of office supplies, stationery, and printing; janitor service, light, heat, and miscellaneous office expenses if separate offices are maintained for such employees.

622. *Service Inspection.*

This account should include the pay and expenses of service inspection forces, including all employees on this work not engaged in the regular handling of the traffic.

623. *Clerical Operating Wages.*

This account should include the pay of clerks, stenographers, and office boys engaged in traffic work in central office operating rooms.

624. OPERATORS' WAGES.

This account should include the pay of chief operators, assistant chief operators, monitors, supervisors, information operators, directory operators, operators employed in the distribution of tickets to other operators, operators engaged in quoting toll rates and charges, switchboard operators, telegraph operators, and all other operators employed in the operation of the central office equipment.

625. CENTRAL OFFICE SUPPLIES AND EXPENSES.

This account should include the cost of all central office supplies and expenses as provided in the following subaccounts:

626. *Rest and Lunch Rooms.*

This account should include the cost of operating the retiring, rest, and lunch rooms for central office employees, including the cost of lunches provided for such employees. Credit to this account amounts received for lunches served.

627. *Operators' Schooling.*

This account should include the expenses of training new operators (whether a school is maintained or not), including wages paid them for which no service is rendered, the salaries and expenses of instructors, and supplies furnished to schools for operators.

628. *Transmission Power.*

This account should include the cost of power purchased for transmitting traffic and for operating signals; the cost of renewing local and central office batteries; and the cost of labor employed and supplies consumed in operating the generating plant and storage batteries for transmitting current or for operating signals.

629. *Central Office Stationery and Printing.*

This account should include the cost of all postage, stationery, stationery supplies, and printing for use of central offices.

630. *Messenger Service.*

This account should include pay and expenses of messengers employed in delivering messages and notifying persons of calls at telephone stations.

631. *Miscellaneous Central Office Expenses.*

This account should include the cost of water, ice, fuel, lights, towels, toilet supplies, and of janitor service and other care of central offices.

632. Pay Station Expenses.

This account should include all traffic expenses, except commissions and central office operating expenses, incurred in connection with the operation of public pay stations.

633. Other Traffic Expenses.

This account should include all traffic expenses not elsewhere provided for.

Note—Rent paid for central offices is chargeable to account No. 331, "Rent-Deductions for Telephone Offices," and not to this account.

III. COMMERCIAL EXPENSES

640. Commercial Administration.

This account should include the pay and expenses of officers and their office forces directly in charge of the commercial department, either for the company as a whole or for a territorial subdivision; the pay and expenses of employees when engaged in preparing contract orders, handling unsolicited contracts or contract changes including miscellaneous relations with subscribers and patrons not specifically assignable to promotion, collection, or directory expenses. Charge also to this account the cost of postage, printing, and stationery; janitor service, light, heat, and miscellaneous office expenses if separate offices are maintained for such employees.

Note—This account may include the entire pay and expenses of employees of the commercial department who are only incidentally engaged in duties in connection with promotion, collection, and directories; if such employees are assigned all or part of their time to such duties their pay and expenses should be charged proportionately to the accounts provided for such expenses.

641. Promotion Expenses.

This account should include the pay and expenses of employees and the cost of demonstrations, advertising, and canvassing designed to promote the extension of the company's business, as provided for in the following subaccounts:

642. *Advertising.*

This account should include salaries and expenses of the advertising manager, his assistants and clerks; cost of commercial advertisements in newspapers or magazines; posters, bulletins, advertising sundries, booklets, and all related items; also minor rents and cost of installing and operating telephones in public places wholly for demonstration purposes.

643. *Canvassing.*

This account should include expenses incurred in soliciting new business or for changing or renewing existing service, including the pay and expenses of canvassers.

644. *Sublicensee Relations.*

This account should include expenses incurred in developing the exchange of business with sublicensee companies and independent connecting telephone companies.

645. Collection Expenses.

This account should include the cost of accounting for and collecting the revenues of the company, as provided for in the following subaccounts.

646. *Revenue Accounting.*

This account should include the cost of keeping accounts with subscribers and rendering bills for revenue service, including the cost of postage, stationery, and printing, and pay and expenses of bookkeepers and all clerks in accounting department having to do with subscribers' accounts.

647. *Revenue Collecting.*

This account should include the expenses of the collection bureau, including postage, stationery, and printing, collectors' salaries or commissions, car fares, cost of badges, and of delivering bills.

648. *Pay Station Commissions.*

This account should include commissions allowed for handling exchange and toll service messages from public pay stations.

649. DIRECTORY EXPENSES.

This account should include the cost of preparing, printing, and distributing directories, including the cost of soliciting advertisements for directories. (See account No. 132, "Prepaid Directory Expense.")

650. OTHER COMMERCIAL EXPENSES.

This account should include all commercial expenses not provided for elsewhere.

IV. GENERAL AND MISCELLANEOUS EXPENSES

660. GENERAL OFFICE SALARIES.

This account should include the matters provided for in the following subaccounts:

661. *Salaries of General Officers.*

This account should include the salaries of the chairman of the board, president, vice president, secretary, treasurer, comptroller, general auditor, general manager, general superintendent, and all other officers whose jurisdiction extends to the operations of the company as a whole.

662. *Salaries of General Office Clerks.*

This account should include the salaries and wages of bookkeepers, paymasters, cashiers, stenographers, and all other clerks employed in the general office, except those engaged in revenue accounting and collecting.

663. GENERAL OFFICE SUPPLIES AND EXPENSES.

This account should include the matters provided for in the following subaccounts:

664. *Expenses of General Officers and Clerks.*

This account should include the traveling and incidental expenses of general officers and other general office employees.

665. *General Office Stationery and Printing.*

This account should include the cost of all postage, stationery, stationery supplies, and printing for use in general offices, except that used in revenue accounting and collecting.

666. *Other General Office Supplies and Expenses.*

This account should include the cost of office supplies (other than postage, stationery, and printing), repairs of office furniture and replacements of such furniture as has not been capitalized; cost of telegrams and of any special telephone service; wages of janitors, porters, and messengers; and other miscellaneous expenses of general offices.

NOTE—Rents of general offices (less such estimated cost, if any, as is included to cover the expense of furnishing, heating and lighting them by the lessor) should be charged to account No. 331, "Rent Deductions for Telephone Offices."

667. GENERAL LAW EXPENSES.

This account should include all law expenses (except those incurred in the defense and settlement of damage claims), including pay and expenses of all counsel, solicitors, and attorneys, their clerks and attendants, janitor service, light, heat, and other expenses of their offices; cost of law books, printing briefs, legal forms, testimony, reports, etc.; fees and retainers for services of attorneys not regular employees; court costs and payments of special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions; and all law and court expenses not provided for elsewhere.

NOTE—The compensation of the general solicitor or counsel or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account No. 670, "Law Expenses Connected with Damages."

668. INSURANCE.

This account should include premiums paid to insurance companies for fire, fidelity, boiler, casualty, burglar, and all other insurance. Charge also to this account and credit account No. 169, "Insurance and Casualty Reserves," amounts set aside as an insurance reserve.

This account should be credited and the proper fixed capital account or accounts concurrently charged with the cost of insurance applicable to construction work.

NOTE—In annual reports to the Commission the company will be required to report the charges made to this account for the various kinds of insurance, and for self-insurance.

669. ACCIDENTS AND DAMAGES.

This account should include all expenses (other than law expenses) incurred on account of persons killed or injured and on account of property of others damaged when such expenses have not been provided for by insurance or by a reserve. It includes the pay and expenses of claim agents, investigators, and adjusters; wages paid employees if absent on account of injury; fees and expenses of surgeons and doctors; nursing, hospital attendance, medical and surgical supplies, fees and expenses of coroners and undertakers, and contributions to hospitals; also amounts paid in settlement of personal injury or damage claims.

This account should be credited and the proper subdivisions of fixed capital accounts concurrently charged with the expenses of accidents and damages incident to construction work.

670. LAW EXPENSES CONNECTED WITH DAMAGES.

This account should include all law expenses connected with the defense or settlement of damage claims, including a proper proportion of the salaries and expenses of the general solicitor or counsel, and salaries, fees, and expenses of attorneys engaged in this work; fees of court stenographers and other court expenses; the cost of law books, printing briefs, court records, and similar papers in connection with such cases.

This account should be credited and the proper subdivisions of fixed capital accounts concurrently charged with law expenses incident to damage claims arising out of construction work.

671. MISCELLANEOUS GENERAL EXPENSES.

This account should include the matters provided for in the following subaccounts:

672. *Relief Department and Pensions.*

This account should include pensions or other benefits paid to employees or representatives of former employees and expenses in connection therewith; salaries and expenses incurred in conducting a relief department, and contributions made to such department.

673. *Telephone Franchise Requirements.*

This account should include the cost of all service and materials and supplies furnished to municipal corporations in compliance with franchise requirements and for which no payment is received by the company; also of all direct expense, such as paving and other like matters, incurred in compliance with such requirements and for which no reimbursement is received by the company. This does not include such expense incurred in connection with construction or repairs, which should be charged to fixed capital or maintainance accounts. Amounts charged to this account for which there is no direct money outlay should be credited to account No. 676, "Telephone Franchise Requirements—Cr."

674. *Amortization of Franchises and Patents.*

This account should include each month the amount necessary to cover such portions of the life of limited franchises and patents as has expired or been consumed during the month. The amount so charged should be concurrently credited to account No. 103, "Reserve for Amortization of Intangible Capital—Cr."

NOTE—The amount charged to this account should be based upon a rule determined by the accounting company, the purpose and effect of such rule being to accumulate by charges equitably distributed throughout the life of any franchise or patent, a reserve that will, at the expiration of its life, equal the original cost.

675. *Other General Expenses.*

This account should include such incidental general expenses as are not provided for in the foregoing accounts, such as cost of publishing notices of stockholders' meetings, of election of directors, annual reports in newspapers, and of dividends declared, and fees and expenses paid to directors, expenses of transfer agents, and listing of stocks on exchange.

676. *Telephone Franchise Requirements—Cr.*

This account should include the amounts included in account No. 673, "Telephone Franchise Requirements," for which there is no actual money outlay.

CLEARING ACCOUNTS

[Required of Class A and Class B Companies.]

The following accounts are provided for certain expenses which usually affect several classes of operations but need to be brought together in one account in order that the total of the expenses may be known and properly distributed.

701. Shop Expense.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of the general shops as follows: (1) Salaries and wages of shop employees; (2) personal and incidental expenses of such employees; (3) materials and supplies for general shop use; (4) repairs of shop tools and machinery; (5) rent paid for shop buildings; (6) depreciation of shop tools, machinery, and appliances.

The shop expense account should be cleared by apportioning the total amount of the expenses to the various jobs on an equitable basis.

702. Stable and Garage Expense.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of stables and garages as follows: (1) Salaries and wages of drivers, chauffeurs, stablemen, garagemen, and other employees in stables and garages; (2) personal and incidental expenses of such employees; (3) materials and supplies, including fuel and gasoline, harness, tires, and other supplies for stables and garages; (4) repairs of automobiles and other vehicles and harness; (5) rent paid for buildings, horses and vehicles; (6) depreciation on vehicles, horses, harness, etc., including losses unprovided for by reserves or insurance.

Credit to this account any charges for service performed for others.

A record should be kept of the use of teams and automobiles, and the total expense should be apportioned to the proper accounts according to use, or the debits to the expense accounts may be made at rates per hour of service which have been found to be fair and to distribute the total expense equitably.

703. Tool Expense.

Charge to this account all expense for tools (except shop tools and tools carried as supplies unissued). It includes (1) the cost of small hand tools of which no account is kept after issue; (2) the cost of repairing tools; (3) the cost of tools lost or stolen; (4) depreciation on tools taken out of service because of breakage or other deterioration.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for tools.

704. Supply Expense.

Charge to this account or to appropriate subaccounts all expenses (except insurance and taxes) incurred directly in connection with the purchase, storage, handling, and distribution of materials and supplies

and stationery. It includes (1) the pay and expenses of purchasing agents, managers of stores, clerks, and laborers; (2) rents paid for stores; (3) cost of lighting and heating; (4) undistributed transportation charges; (5) discounts recovered through prompt payment of bills for materials and supplies when such discounts cannot be assigned to the particular bills; (6) overages or shortages in the materials and supplies account disclosed by inventories which can not be assigned to specific accounts; and (7) the estimated depreciation on materials and supplies due to breakage, leakage, shortage, and wear and tear.

This account should be cleared by adding to the cost of materials and supplies passing through stores a suitable loading charge which will equitably distribute the total cost of conducting the stores and by adding to the cost of such supplies as are bought by the purchasing department a pro rata share of the total expense for the purchasing department.

705. Engineering Expense.

Charge to this account or to appropriate subaccounts all expenses for engineering so as to show separately the following: (1) Salaries and wages; (2) personal and incidental expenses of engineering department employees; (3) rent paid for office and (4) office expenses.

This account should be cleared by apportioning the total expenses to operating expenses and fixed capital accounts on the basis of service rendered, as determined by the actual time devoted to particular jobs or on an equitable basis fixed by the officers of the company.

706. Plant Supervision Expense.

Charge to this account the cost of general supervision of the maintenance and construction of the plant where a separate department of the company's organization is charged with such supervision. It includes the pay and expenses of the plant supervising officers, such as the general plant superintendent, district plant superintendent, plant engineers and their office and field forces, charged with planning for and superintending the work of maintenance and plant construction.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of the plant supervision department as follows: (1) Salaries and wages; (2) personal and incidental expenses of employees; (3) rent paid for offices; and (4) office expenses.

This account should be cleared by charging directly to the appropriate accounts such expenses as can be allocated to particular pieces of work and by charging out the balance on the basis of labor employed in all construction or maintenance work in progress.

Note—The pay of general foremen and foremen in direct charge of jobs should be included in the cost of the job and not charged to this account.

707. House Service Expense.

This account should include the expenses pertaining to the operation of offices and buildings, whether owned or rented by the company, when such expenses can not be allocated as they accrue to the operating expense accounts and other accounts. This account includes fuel, heat, light, power, elevator service, janitor service, and like expenses, but does not include rents, insurance, taxes, and maintenance expenses.

This account should be cleared by apportioning the entire expense to the operating expenses and other accounts on basis of the use made of such property.

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